MARCO POLO MARINE

THE NEW HORIZONS

ANNUAL REPORT

2018

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ANNUAL REPORT

2018

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CORPORATE PROFILE

Established in 1991, Marco Polo Marine Ltd ("the Company") was listed on the-then SGX SESDAQ (now known as SGX Catalist) in 2007 and had its listing migrated to the Main Board of the Singapore Exchange in 2009.

The Group, comprising the Company and its subsidiaries, is a reputable regional integrated marine logistic company which principally engages in shipping and shipyard businesses.

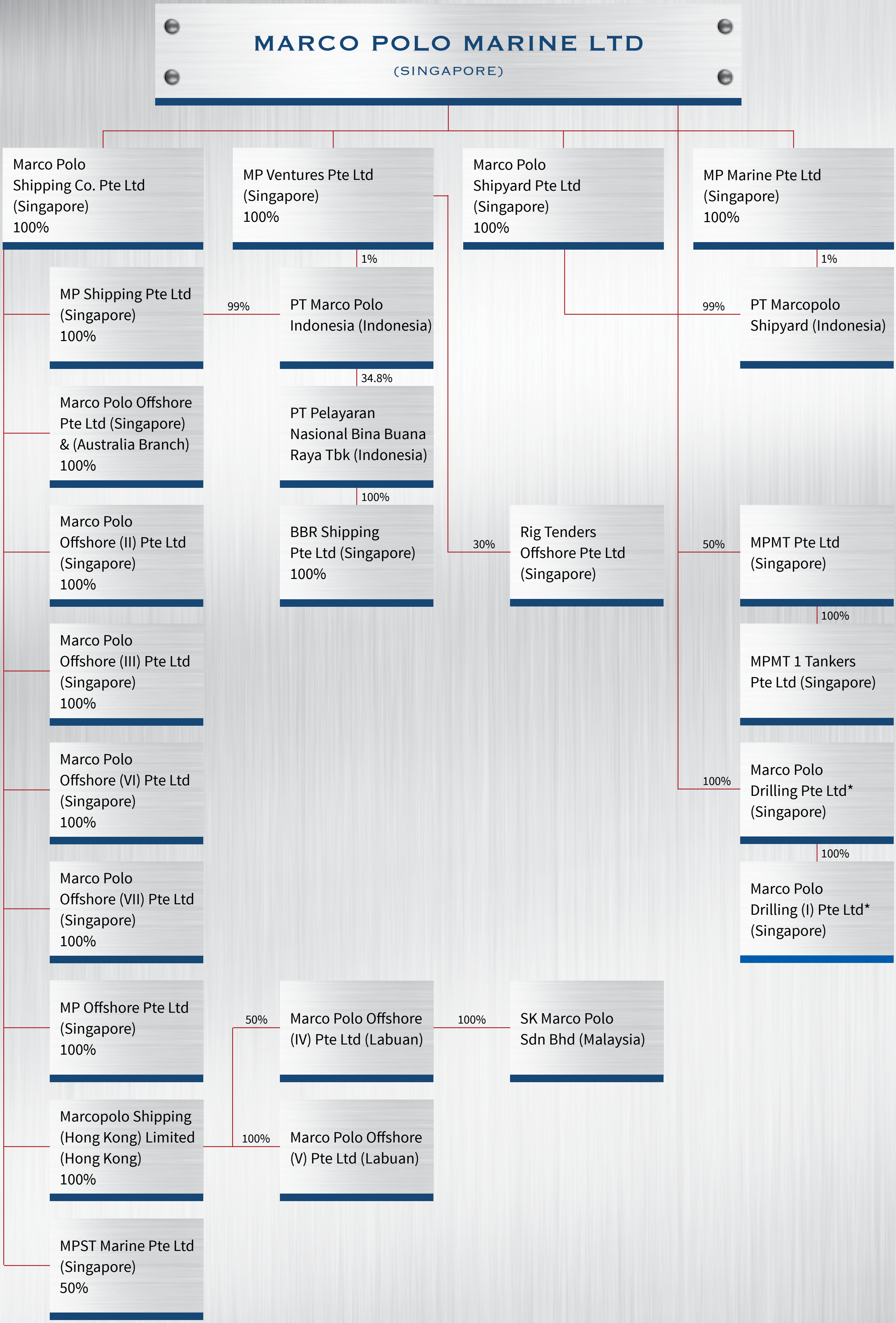
THE SHIPPING DIVISION

Comprising Offshore Support And Marine Logistic Services

The shipping business of the Group relates to the chartering of Offshore Supply Vessels ("OSVs"), which comprise mainly Anchor Handling Tug Supply Vessels ("AHTS") for deployment in the regional waters, including the Gulf of Thailand, Malaysia, Indonesia 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.

THE SHIPYARD DIVISION

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.



* The Accounting and Corporate Registry Authority of Singapore has given its approval for these companies to be struck off from the Register of Companies

CORPORATE INFORMATION

BOARD OF DIRECTORS

Lee Wan Tang
Executive Chairman

Sean Lee Yun Feng
Chief Executive Officer

Liely Lee
Alternate Director to Lee Wan Tang

Lim Han Boon
Lead Independent Director

Sim Swee Yam Peter
Independent Director

Lee Kiam Hwee Kelvin
Independent Director

Tan Hai Peng Micheal
Independent Director

Teo Junxiang, Darren
Non-executive Director

Jeffrey Hing Yih Peir
Non-executive Director

AUDIT COMMITTEE

Lim Han Boon
Chairman

Lee Kiam Hwee Kelvin

Tan Hai Peng Micheal

NOMINATING COMMITTEE

Sim Swee Yam Peter
Chairman

Lim Han Boon

Lee Kiam Hwee Kelvin

REMUNERATION COMMITTEE

Tan Hai Peng Micheal
Chairman

Sim Swee Yam Peter

Lim Han Boon

Teo Junxiang, Darren

COMPANY SECRETARY

Kwan Han Kay @ Lawrence Kwan

REGISTERED OFFICE

66 Kallang Pudding Road
#05-01
Singapore 349324

REGISTRAR

B.A.C.S. Private Limited
8 Robinson Road
#03-00 ASO Building
Singapore 048544

AUDITORS

Mazars LLP
Public Accountants and Chartered Accountants
135 Cecil Street
#10-01 MYP Plaza
Singapore 069535
(Appointed since 22 August 2014)

Partner-in-charge:
Lai Keng Wei

PRINCIPAL BANKERS

Standard Chartered Bank
CIMB Bank
United Overseas Bank Limited

CHAIRMAN'S STATEMENT

"In FY2018, the Group has successfully completed the extensive refinancing and debt restructuring exercise which resulted in the recognition of a one-off gain of S$179.9 million."

DEAR FELLOW SHAREHOLDERS

This Annual Report provides the audited financial report for Marco Polo Marine Ltd ("MPML", the "Company" or, together with its subsidiaries, the "Group") for the financial year ended 30 September 2018 ("FY2018"). Coming out of the perfect storm it has weathered last financial year, FY2018 continues to be a challenging year for the Group.

A REVIEW OF FINANCIAL RESULTS AND FINANCIAL POSITION FOR FY2018

In FY2018, the Group has successfully completed the extensive refinancing and debt restructuring exercise which resulted in the recognition of a one-off gain of S$179.9 million. The balance sheet of the Group has also strengthened significantly as it has reversed from net liability position of S$152.6 million to a net asset position of S$113.2 million.

While there were signs that the marine and offshore sectors were heading towards recovery and oil price was stabilising, there are still many challenges that the Group had to overcome after such a prolonged downturn. Group revenue fell 31% from S$38.6 million to S$26.6 in FY2018 due to reduced ship building and repair projects as well as lower contributions from its offshore fleet.

"I am extremely grateful to you, our Shareholders, for standing steadfast with us amidst the challenging and uncertain times, and look forward to your continued support as we strive to turnaround and revitalise the business.

At the bottom-line, profit for the financial year totalled S$169.0 million, after taking into account the above one-off gain from the derecognition of debts. Without the one-off gain, the adjusted total loss incurred by the Group for FY2018 would have been S$10.9 million. As the debt restructuring exercise was only completed in late January 2018, a significant portion of these losses were incurred during the first half of FY2018. To put this into perspective, the adjusted total loss by the Group for the half year ended 31 March 2018, without taking into account the one-off gain, would have been S$13.0 million.

COMPLETION OF DEBT RESTRUCTURING EXERCISE AND INJECTION OF EQUITY FUNDS

To ensure business sustainability under the prolonged and distressed market conditions, the Group undertook a refinancing and completed its debt restructuring exercise in January 2018. We have managed to secure S$60 million fresh funding in cash from 9 strategic investors to boost the Group's working capital. At the same time, the total debt due and payable by the Group was resolved through a combination of settlement in cash, by way of issuance of new shares and as well as waiver of debts. In view of the above, the Company has lifted its suspension of trading in MPML's shares on 2 February 2018.

LOOKING AHEAD

The Group expects the offshore marine business to remain challenging and competitive for the next 12 months. Notwithstanding which, the successful completion of the debt restructuring exercise has significantly strengthened the financial position of the Group in propelling it forward. While the Group steps up its marketing efforts to improve on its performance, it remains prudent in the management and monitoring of its expenses.

A WORD OF THANKS

On behalf of the Board, I would like to express my deepest gratitude to our management and staff for their dedication and hard work in helping the Group to overcome its most challenging period since its founding in 1991. I would also like to extend my heartfelt thanks to our esteemed customers, business partners and suppliers for the unrelenting support and confidence that they have in our Group.

On a personal note, I would also like to thank our Board members for their valuable contributions and guidance throughout the year. Last but not least, I am extremely grateful to you, our Shareholders, for standing steadfast with us amidst the challenging and uncertain times, and look forward to your continued support as we strive to turnaround and revitalise the business.

Lee Wan Tang
Executive Chairman

FINANCIAL AND OPERATIONAL REVIEW BY CEO

Dear Shareholders,

FINANCIAL REVIEW

Revenue

The Group's revenue for FY2018 vis-à-vis FY2017 is tabulated as follow:

	FY2018		FY2017		Change	
	S$ million	%	S$ million	%	S$ million	%
Ship Chartering	11.5	43	16.5	43	(5.0)	(30)
Ship Building & Repair	15.1	57	22.1	57	(7.0)	(32)
Total	**26.6**	**100**	**38.6**	**100**	**(12.0)**	**(31)**

The revenue for the Group's Ship Chartering Operations decreased by 30% from S$16.5 million in FY2017 to S$11.5 million in FY2018. The decrease was due mainly to lower utilization and charter rates of the Group's offshore fleet as a result of the slow recovery of the marine and offshore industry following the protracted oil price crisis, albeit some improvements in the utilization of the Group's fleet of tugboats and barges.

The revenue for the Ship Building & Repair Operations decreased by 32%, from S$22.1 million in FY2017 to S$15.1 million in FY2018, primarily as a result of reduced ship building projects and ship repairing jobs.

PROFITABILITY

Overall, lower contributions from both the Group's Ship Building & Repair and Ship Chartering Operations resulted in its gross profit being reduced by 46% or S$4.6 million, from S$9.9 million in FY2017 to S$5.3 million in FY2018.

Other operating income of the Group increased significantly by S$183.7 million, from S$1.0 million in FY2017 to S$184.7 million in FY2018 mainly as a result of the debt restructuring exercise which was completed during the year. Pursuant to the debt restructuring exercise, the total debt due and payable by the Group was resolved through a combination of settlement by way of share issuance, cash repayments and as well as waiver of debts. Consequence to which, outstanding debts aggregating to S$179.9 million were waived and recognized as part of other operating income during the year.

On the other hand, the Group's other operating expenses reduced drastically by S$248.7 million from S$256.0 million in FY2017 to S$7.3 million in FY2018 due primarily to the substantial impairments made on the Group's assets in FY2017 which were largely one-off without any recurring in FY2018.

The finance costs of the Group decreased by S$7.4 million or 72% to S$2.8 million in FY2018, from S$10.2 million in FY2017, due mainly to the completion of our debt restructuring exercise in late January 2018. The Group has since been relatively free of any interest bearing debt and as such, the Group did not incur any substantial finance costs after completion of our debt restructuring exercise.

The share of losses from jointly-controlled companies was S$5.4 million in FY2018, compared to S$51.3 million in FY2017. The significant decrease was mainly attributable to the share of impairment losses on their assets in FY2017, which were largely one-off without any recurring in FY2018. The share of losses from jointly-controlled companies in FY2018 was mainly attributable to the shared losses of PT Pelayaran Nasional Bina Buana Raya.

FINANCIAL POSITION

The net assets of the Group has improved significantly from negative S$152.6 million to positive S$113.2 million primarily due to the decrease in the Group's total borrowings following the completion of our debt restructuring exercise. The Group's total interest-bearing borrowings decreased to S$154,000 as at 30 September 2018 from S$245.9 million as at 30 September 2017.

Cash position of the Group has also improved as cash and bank balances increased from S$4.8 million as at 30 September 2017 to S$17.9 million as at 30 September 2018 as the Company managed to secure fresh funding from our nine strategic investors to boost its working capital which was partially offset by the settlement of its debt and the expenses incurred on the attempt to resuscitate our fleet of vessels.

In addition, there was a decrease in trade payables and other payables primarily due to payment settlements to certain creditors of the Group and the reduction in accrued project costs and expenses pursuant to the completion of our debt restructuring exercise.

However, the improvement in net asset value of the Group was offset by a decrease in the Group's investments in joint ventures and gross amounts due from customers.

There was a decrease in the Group's investments in joint ventures from S$18.8 million as at 30 September 2017 to S$11.5 million as at 30 September 2018 as the Group continued to share of the losses from PT Pelayaran Nasional Bina Buana Raya.

The gross amounts due from customers for construction contracts decreased from S$3.0 million as at 30 September 2017 to a nil balance as at 30 September 2018 as a result of the full repayment made by a customer following the completion of a ship building project.

Following from the above:

(1) the working capital of the Group reversed from a negative $251.2 million as at 30 September 2017 to a positive S$15.8 million as at 30 September 2018;

(2) the Group is relatively free of any interest bearing debt as at 30 September 2018, thereby having its net gearing essentially reduced to nil as at 30 September 2018 from a negative 159.3% as at 30 September 2017; and

(3) the net asset value per share of the Group reversed to 3.2 Singapore cents as at 30 September 2018 from a negative 45.4 Singapore cents as at 30 September 2017.

OPERATIONAL REVIEW

With the completion of the refinancing and debt restructuring exercise in January 2018, the Group was finally able to focus on rebuilding and revitalizing the business. Significant efforts have been put in by the management to explore new markets and business opportunities primarily around the South-East Asian region. Concurrently, the Group continues to monitor and keeps its operating costs low in view that the offshore marine business remains challenging and competitive.

EXPRESSION OF APPRECIATION

I am grateful to all the Group's stakeholders for their confidence, support and patience, which have helped Marco Polo Marine to survive the many crises and challenges: to our shareholders and bondholders, for their patience and support, our bankers, suppliers and customers for their continuing confidence and trust; our management and staff for their loyalty, hard work and sacrifices and our board of directors for their invaluable contribution and guidance.

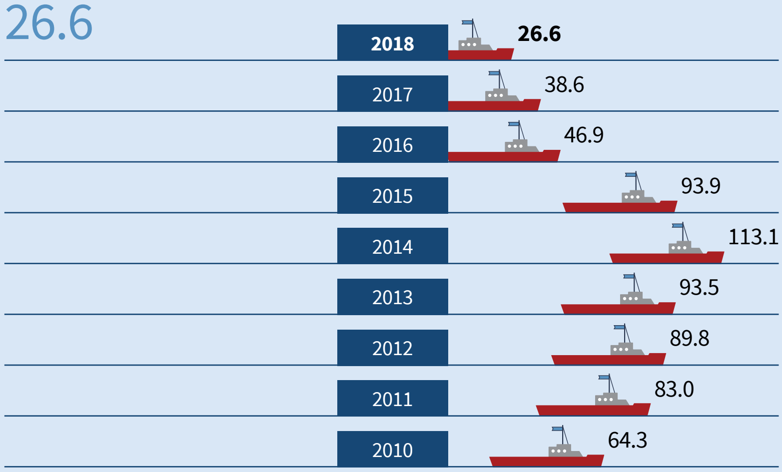
Together with such strong vote of confidence from all our stakeholders, we will now channel our hard work and resources to focus on rebuilding Marco Polo Marine.

Sean Lee Yun Feng
Chief Executive Officer

KEY FINANCIALS

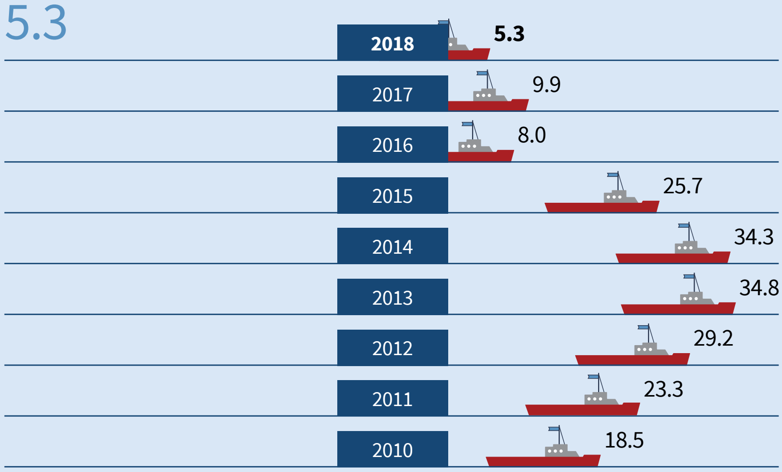
REVENUE
S$ millions

26.6



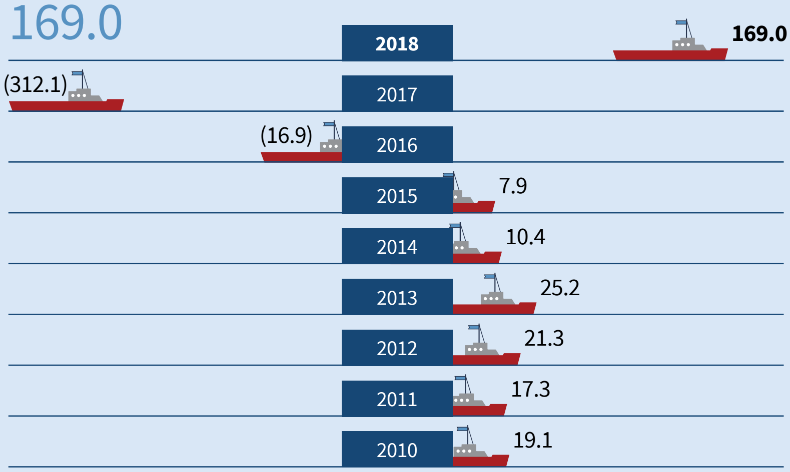
GROSS PROFIT
S$ millions

5.3



NET PROFIT / (LOSS)
S$ millions

169.0



REVENUE BY BUSINESS SEGMENT
S$ millions

	Ship Chartering	Ship Building and Repair	Total
2018	**11.5**	**15.1**	**26.6**
2017	16.5	22.1	38.6
2016	17.1	29.8	46.9
2015	32.4	61.5	93.9
2014	64.7	48.4	113.1
2013	56.9	36.6	93.5
2012	20.5	69.3	89.8
2011	30.8	52.2	83.0
2010	32.5	31.8	64.3

BOARD OF DIRECTORES

LEE WAN TANG
Executive Chairman

Mr Lee Wan Tang is the Executive Chairman of our Group. He is responsible for the strategic positioning and business expansion of our Group. Mr Lee has been instrumental in the development of our ship chartering operations and the initial planning and setting up of Marco Polo Shipyard. In 2005, having recognised the region's demand for ship building and ship repair and maintenance services, he established our shipyard business. Prior to his involvement with our Group, from 1979 to 1990, he was principally involved in the formulation of the business directions and strategies of other companies controlled by the Lee Family.

LIELY LEE
Alternate Director To Lee Wan Tang

Ms Liely Lee is the Alternate Director to Mr Lee Wan Tang. She joined our Group as the Director (Finance), Group Chief Financial Officer of our Group 2006. She is responsible for all finance, accounting, treasury and strategic development of the Group Prior to joining Marco Polo Marine, Liely was a co-owner of a food and beverage chain in Singapore. She oversaw the strategic growth, development, finance and human resource matters of the chain and had grown it to 13 outlets. Graduated with a Bachelor of Commerce Degree from Murdoch University in Western Australia and also holding a Masters of Accounting Degree from Curtin University in Western Australia, Ms Liely Lee is a qualified Chartered Public Accountant (CPA) Australia.

SEAN LEE YUN FENG
Chief Executive Officer

Mr Sean Lee Yun Feng, the key co-founder of our Group, he is responsible for the overall management and day-to-day operations of our Group as well as the formulation of the business directions, strategies and policies of our Group. Mr Sean Lee is instrumental in initiating and penetrating new markets for both our shipping and shipyard operations. He spearheads our shipyard operations since it commenced operations in December 2005 and also started our Offshore Ship Chartering Operation in 2011, of which, the operation has been remained as our main growth engine. Mr Sean Lee graduated with a Bachelor of Commerce degree from the Murdoch University (Western Australia) and Master degree from INSEAD and Tsinghua University (Beijing).

LIM HAN BOON
Lead Independent Director

Mr Lim Han Boon is our Lead Independent Director. He is concurrently an independent director of Addvalue Technologies Ltd and China Mining International Limited (formerly known as "Sunshine Holdings Limited"). Prior to which, he held various positions with several financial institutions in the corporate banking, corporate finance and private equity industries. Mr Lim obtained a Bachelor of Accountancy Degree from the National University of Singapore in 1987 and a Master of Business Administration (Finance) degree from the City University, U.K. in 1992.

SIM SWEE YAM PETER

Independent Director

Mr Sim Swee Yam Peter is our Independent Director. He is also Independent Director of Lum Chang Holdings Ltd, Mun Siong Engineering Ltd, Haw Par Corporation Ltd and Singapore Reinsurance Corporation Ltd. He is a practising lawyer and a partner at Sim Law Practice LLC. Graduated from University of Singapore (now known as the National University of Singapore) in 1980 with a degree in law, he was admitted to the Singapore Bar in 1981. Mr Sim was awarded the Pingkat Bakti Masyarakat in August 2000 and the Bintang Bakti Masyarakat in August 2008.

TEO JUNXIANG, DARREN

Non-Executive Director

Mr Teo Junxiang, Darren is our Non-Executive Director. He is currently the Managing Partner of Apricot Capital Pte Ltd, a private investment company with business interest in real estate, offshore marine, education and consumer lifestyle business. His responsibilities include evaluating investment opportunities, executing strategic deals and managing its investment portfolio. Prior to his appointment at Apricot Capital, he started his career in Super Group Ltd in 2007 and has held various positions in the company. He was last appointed as an Executive Director of Super Group in 2016. As an Executive Director of Super Group, he oversaw the Group's overall strategy, managed its commercial activities and led the business expansion across Asia. In 2017, he led the strategic sale of Super Group Ltd to Jacobs Douwe Egberts, the world second largest coffee company. Mr Teo graduated with Bachelor of Social Sciences in Economics from National University of Singapore in 2006.

LEE KIAM HWEE KELVIN

Independent Director

Mr Lee Kiam Hwee Kelvin is our independent director. He is concurrently, the Lead Independent Director, Audit Committee Chairman, Nominating Committee and Remuneration Committee Member of KOP Limited. Between 2007 and 2016, Mr Lee was Independent Director with three other public listed companies for several years. Mr Lee began his career with Coopers and Lybrand, an international audit firm and was there for 15 years from 1979 to 1994. He joined IMC Holdings Ltd, a shipping company, from 1994 to 2003 as the Group's Financial Controller where he contributed towards the strategic business planning and overall financial management. He next moved on to Pan United Corporation as its Chief Financial Officer until March 2007. Mr Lee is a Fellow of the Association of Chartered Certified Accountants (UK), Fellow member of the Institute of Singapore Chartered Accountants and a Full Member of the Singapore Institute of Directors since 2004.

JEFFREY HING YIH PEIR

Non-Executive Director

Mr Jeffrey Hing Yih Peir is our Non-Executive Director. He is also the Executive Chairman of Penguin International Limited, and Executive Chairman and Executive Director of OEL (Holdings) Limited, both companies are listed on the SGX-ST. Mr. Hing has over 30 years of experience in the marine and offshore industry in a variety of roles including finance and administration, business development and management. He is the founder and managing director of Trinity Offshore Pte. Ltd., a Singapore-based owner-operator of offshore support/utility vessels. As an experienced entrepreneur in the marine and offshore industry, Mr. Hing brings to the Group his business acumen and his global network of industry contacts. An accountant by training, Mr. Hing has served in various roles as auditor, accountant, senior executive and director of diversified corporations.

TAN HAI PENG MICHEAL

Independent Director

Mr Tan Hai Peng Micheal is our Independent Director. He is a Non-Executive Director of Pacific Star Development, a company listed on the SGX Catalist board. Mr Tan graduated with a Master of Business Administration (Senior Executive) degree from the National University of Singapore in December 2004 and a Bachelor of Science in Computer Engineering with Highest Honour from the Florida Institute of Technology, USA in August 1990. Mr Tan was conferred the Public Service Star in 2017 and Public Service Medal in 2011 for his contributions to public services in Singapore.

KEY EXECUTIVE OFFICERS

MR CHEAM YEOW CHENG
Director of Shipyard Division

Mr Cheam Yeow Cheng is the Director of our shipyard division. He joined our Group in April 2008. He is responsible for overseeing our Group's shipyard division which includes shipbuilding, ship repairs and other marine engineering services, production scheduling, facilities planning and operational matters. Mr Cheam has more than 30 years of experience in the marine industry. He was a General Manager (shipbuilding) in Pan United Marine Ltd from 1994 to 2008 and an Engineering Manager with ST Marine Ltd from 1986 to 1994. Mr Cheam holds a Honours Degree in Naval Architecture from University of Strathclyde, Glasgow, UK.

MR LOO HIN LOY
Director of Offshore Division

Mr Loo Hin Loy is the Director of our Group's Offshore Division. He joined our Group in May 2013. He is responsible for the management and development of the Group's offshore marine support vessels operations. Mr Loo has more than 29 years of experience in the marine industry, with 15 years in offshore fleet management to support oil and gas industry. Mr Loo is a qualified Marine Engineer and holds a Class One Certificate of Competency for Marine Engineer (UK) and a BTEC Higher National Diploma in Marine Engineering (UK).

MR SIMON KARUNTU
Director of Shipyard Operations

Mr Simon Karuntu is the Director (Shipyard Operations) of our shipyard division. He joined our Group in July 2008. He is responsible for overseeing the overall operations and general administrative functions of our shipyard operations and liaising with the various Indonesian government authorities and other regulatory authorities on legal matters for the shipyard operations in Batam. Prior to joining our Group, Mr Karuntu was responsible for planning, organising and overseeing various major projects undertaken by an Indonesian company such as the construction of asphalt sealed roads linking major cities in the Riau Province of Indonesia, including liaising with Indonesian government and other regulatory authorities.

MR ANDREW TANG
Head of Business Development

Mr Andrew Tang is the Head of Business Development. He joined the Group in March 2018. Mr Tang is responsible for the marketing of the Offshore Support Vessels (OSV) and is also involved in business development at the Group level. Mr Tang has more than 15 years of commercial experience in the Marine Offshore sector. Prior to joining Marco Polo, he was a Senior Shipbroker with a well-known Norwegian brokerage firm. He holds a degree in Mechanical Engineering from National University of Singapore (NUS) and Masters of Science in Maritime Studies from Nanyang Technological University (NTU).

FINANCIAL CONTENTS

CORPORATE GOVERNANCE STATEMENT

The Board of Directors of the Company (the "Board") is committed to achieving a high standard of corporate governance practices within the Group. They have put in place self-regulatory corporate practices to protect the interests of its shareholders and to enhance long-term shareholder value. The Company adopts practices based on the Code of Corporate Governance 2012 (the "2012 Code").

The Board is pleased to report that for the financial year ended 30 September 2018, the Group has adhered to the principles and guidelines as set out in the 2012 Code, except where otherwise stated. The Board will continue to improve its practices with developments by enhancing its principles and framework.

Principle 1: The Board's Conduct of Its Affairs

The Board oversees the conduct of the Group's affairs and is accountable to shareholders for the long-term performance and financial soundness of the Group. Apart from its statutory duties and responsibilities, the Board supervises the management of the business and affairs of the Group. The Board reviews and advises on the Group's strategic plans, key operational initiatives, major funding and investment proposals, principal risks of the Group's businesses and ensures the implementation of appropriate systems to manage these risks; reviews the financial performances of the Group; evaluates the performances and compensation of senior management personnel.

The Board is generally responsible for the approval of the quarterly, half-yearly and yearly results announcement, annual report and accounts, major investments and fundings, material acquisitions and disposals of assets and interested person transactions of a material nature.

To facilitate effective management, the Board has delegated specific responsibilities to three subcommittees namely:

- Audit Committee
- Nominating Committee
- Remuneration Committee

These committees operate under clearly defined terms of references and operating procedures. The Chairman of the respective Committees reports to the Board with their recommendations.

The Board meets regularly to oversee the business and affairs of the Group. Board meetings can be by way of tele-conference and video conference that the Company's Constitution allow. To assist the Board in fulfilling its responsibilities, the Board will be provided with management reports containing complete, adequate and timely information and papers containing relevant background or explanatory information required to support the decision making process.

The CEO and CFO brief and update directors on an ongoing basis on the Group's businesses, operations, policies and regulatory environment to assist them to discharge their duties and responsibilities.

The directors are encouraged and supported to attend relevant courses, conferences and seminars provided by the relevant institutions and organizations.

Upon appointment to the Board, a Director will be provided with a formal letter setting out, among other things, a director's duties and obligation.

The number of meetings held and the attendance report of the Board and Board Committees during the financial year ended 30 September 2018 are as follows:

	Board Meeting	Audit Committee	Nominating Committee	Remuneration Committee
No. of meetings held	4	4	2	1
		No. of meetings attended		
Lee Wan Tang	4	–	–	–
Sean Lee Yun Feng	4	–	–	–
Liely Lee [1]	4	–	–	–
Lai Qin Zhi [2]	2	2	2	1
Lim Han Boon	2	2	1	1
Sim Swee Yam Peter	4	2	2	1
Lee Kiam Hwee Kelvin	4	4	2	1
Tan Hai Peng Micheal [3]	2	2	–	–
Jeffrey Hing Yih Peir [3]	2	–	–	–
Teo Junxiang, Darren [3]	2	–	–	–

(1) Resigned as an executive director and appointed as an alternate director to Mr Lee Wan Tang on 1 March 2018

(2) Resigned on 1 March 2018

(3) Appointed on 1 March 2018

Principle 2: Composition of Board and Guidance

The Board comprises nine directors, four of whom are independent directors and two non-executive directors. The independent directors make up more than one-third of the Board thus providing an independent element on the Board capable of exercising independent judgment on corporate affairs of the Group and provide management with a diverse and objective perspective to arrive at balanced and well-considered decisions.

The concept of independence adopted by the Board is in accordance with the definition of an independent director in the 2012 Code. The Board considers an "independent" director as one who has no relationship with the Group, its related companies, its 10% shareholders or its officers that could interfere, or perceived to interfere, with the exercise of the director's independent business judgment for the best interests of the Company and Group.

As at the date of this report, the Board of Directors comprises the following members:

Lee Wan Tang	Executive Chairman
Sean Lee Yun Feng	Chief Executive Officer
Lim Han Boon	Lead Independent Director
Sim Swee Yam Peter	Independent Director
Lee Kiam Hwee Kelvin	Independent Director
Tan Hai Peng Micheal	Independent Director
Jeffrey Hing Yih Peir	Non-Executive Director
Teo Junxiang, Darren	Non-Executive Director
Liely Lee	Alternate Director to Mr Lee Wan Tang

CORPORATE GOVERNANCE STATEMENT

The Board consists of high caliber members with a wealth of experience and knowledge in business. They contribute valuable direction and insight, drawing from their vast experience in matter relating to accounting, finance, legal, business and general corporate matters. The current Board composition represents a well-balanced mix of expertise and experience among the directors.

The Board is aware of the recommendation of the 2012 Code that in the event of the Chairman of the Board and the Chief Executive Officer are immediate family members, the independent directors should made up at least half of the Board. Nonetheless, the Board is of the view that its current size, consisting of nine directors is appropriate, taking into account the nature and scope of the operations and current financial position of the Group. The Company had also appointed a lead independent director to ensure no one individual represent domination in the Board's decision-making.

Members of the Board are constantly in touch with the Management to provide advice and guidance on strategic issues and on matters for which their expertise will be constructive to the Group.

In addition, non-executive directors work with the Management by constructively challenging and helping to develop proposals on strategy, reviewing the performance of the Management in meeting agreed goals and objectives, and monitoring the reporting of such performance. Where necessary, the non-executive Directors are encouraged to meet without the presence of Management to facilitate a more effective check on Management.

Mr Lim Han Boon, Mr Sim Swee Yam Peter and Mr Lee Kiam Hwee Kelvin, who were appointed as Independent Directors of the Company since 13 September 2007, 13 September 2007 and 3 July 2009 respectively, have each served the Board beyond nine years. Taking into account the views of the Nominating Committee ("NC"), the Board concurs with the NC that the length of service of a Director should not determine the effectiveness of independence of an Independent Director. In assessing the independence of a Director, the NC and the Board consider it more appropriate to exercise independence of judgment in his deliberation in the interest of the Company. The Board has undertaken a rigorous review of their independence which includes critical examination of any conflicts of interest, as well as other factors such as their review and scrutiny of matters and proposals put before the Board. The Board is of the view that the independent Directors have over the years developed significant insights in the Group's business and operations, and can continue to provide significant and valuable contribution objectively to the Board as a whole. The Independent Directors, particularly Mr Lim Han Boon, have also been instrumental in instilling and inculcating a culture of good corporate governance within the Group. After taking into account all the aforesaid factors, the Board (with Mr Lim Han Boon, Mr Sim Swee Yam Peter and Mr Lee Kiam Hwee Kelvin on abstention) concurred that Mr Lim Han Boon, Mr Sim Swee Yam Peter and Mr Lee Kiam Hwee Kelvin are independent.

Principle 3: Chairman and Chief Executive Officer

The Chairman of the Company, Mr. Lee Wan Tang is an executive director. Besides giving guidance on the corporate direction of the Group, the role of the Executive Chairman includes the scheduling of Board meetings and ensuring accurate, adequate and timely flow of information between the Board, management and shareholders of the Company. Mr. Sean Lee Yun Feng, the Chief Executive Officer of the Group since July 2006, is the son of Mr. Lee Wan Tang, sets the business strategies and directions for the Group and manages the business operations of the Group. Ms. Liely Lee, the Chief Financial Officer of the Group, and other management staff, supports him.

In order to ensure good corporate governance practice and that there is no concentration of power and authority vested in one individual, the Company has appointed Mr. Lim Han Boon as the Lead Independent Director. Mr. Lim Han Boon acts as principal liaison between the independent directors and Chairman on sensitive issues. Lead by the Lead Independent Director, the independent directors meet periodically without the presence of the other directors and management. The Lead Independent Director would be available to shareholders where they have concerns when contact through the normal channel of the Chairman, Chief Executive Officer, the Executive Director has failed to resolve the issues, or for which such contact is inappropriate.

Accordingly, the Board believes that there are adequate safeguards in place to ensure an appropriate balance of power and authority within the spirit of good corporate governance.

Nominating Committee
Principle 4: Board Membership
Principle 5: Board Performance

The NC has been set up since 13 September 2007 comprising the following members. All the members of the NC are independent of management, not associated with a substantial shareholder and free from any business or other relationship, which may interfere with the exercise of their independent judgment:

Sim Swee Yam Peter	Chairman, Independent Director
Lim Han Boon	Lead Independent Director
Lee Kiam Hwee Kelvin	Independent Director

The principle functions of the NC include:

- Recommending to the Board all Board appointments and assessing the effectiveness of the Board as a whole and the contribution of each director to the effectiveness of the Board.
- Reviewing and determining annually the independence of each director.
- Reviewing and making recommendations to the Board on the structure, size and composition of the Board.

Board renewal is an ongoing process to ensure good governance and to maintain relevance to the changing needs of the Group. In other words, no director stays in office for more than three years without being re-elected by shareholders.

The Board's performance is a function of the experience and expertise that each of the directors bring with them. Factors taken into consideration for the assessment of each director include attendance at meetings, adequacy of preparation, participation, industry knowledge and functional expertise. Factors for assessment of the Board as a whole include the board structure, conduct of meetings, corporate strategy, risk management and internal controls, business and financial performance, compensation, financial reporting and communication with shareholders.

Each director performs a self-assessment and the NC will use the results of each of the assessments to discuss improvements to the Board and to provide feedback to the individual directors.

The NC has recommended Mr Sean Lee Yun Feng and Mr Lee Kiam Hwee Kelvin, who are retiring at the forthcoming Annual General Meeting, to be re-elected. Both directors are retiring under Regulation 103 of the Company's Constitution and they had offered themselves for re-election. In addition, the NC has also recommended Mr Tan Hai Peng Micheal, Mr Teo Junxiang, Darren and Mr Jeffrey Hing Yih Peir who are retiring at the forthcoming AGM to be re-elected. They will be retiring under Regulation 107 of the Company's constitution and had offered themselves for re-election. The Board has accepted the recommendations of the NC.

The dates of initial appointment and last re-election of each Director are set out below:

Directors	Appointment	Date of Initial Appointment	Date of Last Re-election
Lee Wan Tang	Executive Chairman	13 Sep 2007	20 Jan 2017
Sean Lee Yun Feng	Chief Executive Officer	13 Sep 2007	21 Jan 2016
Liely Lee(1)	Executive Director	13 Sep 2007	27 Feb 2018
Lim Han Boon	Lead Independent Director	13 Sep 2007	20 Jan 2017
Sim Swee Yam Peter	Independent Director	13 Sep 2007	27 Feb 2018
Lee Kiam Hwee Kelvin	Independent Director	3 July 2009	21 Jan 2016
Jeffrey Hing Yih Peir	Non-Executive Director	1 March 2018	–
Teo Junxiang, Darren	Non-Executive Director	1 March 2018	–
Tan Hai Peng Micheal	Independent Director	1 March 2018	–
Liely Lee(1)	Alternate Director to Mr Lee Wan Tang	1 March 2018	–

(1) Resigned as an executive director and appointed as an alternate director to Mr Lee Wan Tang on 1 March 2018

The key information regarding Directors is set out on pages 10 to 11 of the Annual Report.

The NC has reviewed the contribution by each Director taking into account their listed company board representations and other principal commitments. The NC and the Board are of the view that, setting a maximum number of listed company board representations a Director may hold is not meaningful, as long as Directors are able to devote sufficient time and attention to the affairs of the Company. As such, the Board does not propose to set the maximum number of listed company board representations that Directors may hold until such need arises. Notwithstanding the number of listed company board representations and other principal commitments which some of the Directors are holding, the NC considered the conduct of meeting, the decision-making process, attendance and participation of each board member to be satisfactory.

There is currently one alternate director appointed to the Board, Ms Liely Lee (alternate director to Mr Lee Wan Tang). Please refer to page 10 of this Annual Report for details of the qualifications and experience of Ms Liely Lee.

Principle 6: Access to Information

Management provides Board members with quarterly management accounts and other financial statements to enable the Board to fulfill its responsibilities. Board members have full and independent access to senior management and the company secretary at all times. In addition, the Board or an individual Board member may seek independent professional advice, if necessary, at the Company's expense.

Directors have separate and independent access to the Company Secretary. The Company Secretary attends Board meetings to assist in ensuring that Board procedures are followed. The Company Secretary assists Management to ensure that the Board and the Company complies with the requirements of the Companies Act Cap. 50, and other SGX-ST rules and regulations, which are applicable to the Company. The appointment and the removal of the Company Secretary are subject to the Board's approval.

Remuneration Committee
Principle 7: Procedures for Developing Remuneration Policies
Principle 8: Level and Mix of Remuneration
Principle 9: Disclosure of Remuneration

The Remuneration Committee ("RC") comprises the following members. All the members are independent or non-executive directors:

Tan Hai Peng Micheal	Chairman, Independent Director
Lim Han Boon	Lead Independent Director
Sim Swee Yam Peter	Independent Director
Teo Junxiang, Darren	Non-Executive Director

The principle functions of the RC include:

- Recommending to the Board a framework of remuneration for the Board and the key executives of the Group, covering all aspects of remuneration such as directors' fee, salaries, allowances, bonuses, options and benefit-in-kind;
- Proposing to the Board, appropriate and meaningful measures for assessing the executive directors' performance;
- Determining the specific remuneration package for each executive director;
- To ensure that the remuneration policies and systems of the Group supports the Group's long term objectives and strategies;
- Reviewing the Company's obligations arising in the event of the termination of the directors and key executives to ensure that such service agreements contain fair and reasonable termination clauses which are not overly generous;
- Considering and recommending to the Board the disclosure of details of the Company's remuneration policy, level and mix of remuneration and procedure for setting remuneration and details of the specific remuneration packages of the directors and key executives of the Group to those required by law or by the 2012 Code; and
- To administer the Company's Employees' Share Option Scheme ("MPM ESOS").

In performing its function, the Committee endeavours to establish an appropriate remuneration policy to attract, retain and motivate senior executives and executive directors, while at the same time ensure that the reward in each case takes into account individual performance as well as the Group's performance.

In carrying out the above, the RC may obtain independent external legal and other professional advice, as it deem necessary. The expense of such advice will be borne by the Company.

The Company is of the view that there is no requirement to institute contractual provisions to allow the Company to reclaim incentive components of remuneration from executive directors and key executives paid in prior years in exceptional circumstances of mismanagement of financial results, or of misconduct resulting in financial loss. The executive directors owe a fiduciary duty to the Company and the Company should be able to avail itself to remedies against the executive directors in the event of such breach of fiduciary duties.

The non-executive directors receive directors' fees in accordance with their level of contributions, taking into account factors such as responsibilities, effort and time spent for serving on the Board and Board Committees. The director's fees are recommended by the Board for approval at the AGM. For the year under review, the RC has recommended directors' fees of S$235,000 which the Board would table at the forthcoming AGM for shareholders' approval. The Company encourages independent directors to invest in the Company and has taken steps in the past to ensure that this happened. The shareholdings of the individual directors of the Company are set out on the page 28 of the Annual Report.

The details of the Company's Employees' Share Option Scheme (Marco Polo Marine Ltd Share Option Scheme 2012) are set out on pages 28 to 30 of this Annual Report.

The Executive Chairman, Mr. Lee Wan Tang has entered into a service agreement with the Company for an initial period of three years with effect from 5 November 2007. The service agreement was subsequently renewed automatically annually, unless either party to the service agreement concerned gives notice of its intention to terminate in the manner set out in the said service agreement

Mr. Sean Lee Yun Feng and Ms. Liely Lee respectively have entered into separate services agreements with the Company with effect from 25 January 2018 as the following key terms:

(a) a service agreement to appoint Mr. Sean Lee as chief executive officer, on terms acceptable to Sean Lee and the parties, which appointment shall be for a fixed term of five (5) years during which Sean Lee shall not be entitled to resign unless the Investors have sold down not less than a majority of their aggregate Investment Shares and such resignation may, in any event, not be served during the first three (3) years of such 5-year term. The notice period in such a situation shall be six (6) months; and

(b) a service agreement to appoint Ms. Liely Lee as an executive director (finance), on terms acceptable to Ms. Liely Lee and the Parties, which appointment shall be for a fixed term of three (3) years during which Liely Lee shall not be entitled to resign during the first eighteen (18) months of such 3-year term. The notice period in such a situation shall be six (6) months.

The Board discloses the remuneration in band for Directors and Key Executives instead of full detail disclosure as recommended by the 2012 Code. The Board believes that such disclosure presentation provides sufficient overview of the remuneration of the Directors and Key Executives, considering the confidentiality of remuneration matters. The Board is of the opinion that the information disclosed would be sufficient to the shareholders for their understanding of the Company's compensation policies as remuneration matters are commercially sensitive information and thus may be prejudice to the Group's interest.

The number of directors of the Company with remuneration from the Company and its subsidiary companies is set out below:

	Number of directors	
Remuneration bands	**2018**	**2017**
Above S$500,000	–	–
S$250,000 to below S$500,000	3	3
Below S$250,000	6	4
Total	9	7

The following table shows a breakdown of the annual remuneration (in percentage terms) paid or payable to the directors and top five key executives of the Group for the financial years ended 30 September 2018.

	Directors' Fee	Fixed^	Variable^	Total^
	%	%	%	%
Directors				
S$250,000 to below S$500,000				
Lee Wang Tang	–	92	8	100
Sean Lee Yun Feng	–	92	8	100
Liely Lee	–	92	8	100
Below S$250,000				
Lai Qin Zhi	100	–	–	100
Lim Han Boon	100	–	–	100
Sim Swee Yam Peter	100	–	–	100
Lee Kiam Hwee Kelvin	100	–	–	100
Teo Junxiang, Darren	100	–	–	100
Jeffrey Hing Yih Peir	100	–	–	100
Tan Hai Peng Micheal	100	–	–	100

	Directors' Fee	Fixed^	Variable^	Total^
Key Executives				
S$250,000 to below S$500,000				
Cheam Yeow Cheng	–	93	7	100
Loo Hin Loy	–	93	7	100
Below S$250,000				
Simon Karuntu	–	92	8	100
Grace Khaw	–	92	8	100
Andrew Tang	–	100	–	100

^ Inclusive of Employer's Central Provident Fund Contributions

The aggregate total remuneration paid to the top five Key Executives of the Group (who are not Directors or Chief Executive Officer of the Company) during the period covered by the Annual Report 2018 was equivalent to S$988,218.

The Group adopts a remuneration policy for staff comprising a fixed component and a variable component. The fixed component is in the form of a base salary and allowances. The variable component is in the form of a variable bonus that is linked to the Group and each individual's performance.

Remuneration of employees who are immediate family members of a director or the Chief Executive Officer

For the financial year ended 30 September 2018, saved as disclosed in the following table which show the breakdown of the remuneration (in percentage terms) in S$50,000 band, the Company and its subsidiary companies do not have any other employee who is an immediate family member of a director or the Chief Executive Officer and whose remuneration exceeds S$50,000.

"Immediate family member" means the spouse, child, adopted child, step-child, brother, sister and parent.

	Relationship with Executive Chairman	Fixed^ %	Variable^ %	Total^ %
Name of employee				
S$50,000 to below S$100,000				
Welly Handoko	Brother	93	7	100
Below S$50,000				
Irryanto	Brother-in-law	92	8	100

^Inclusive of Employer's Central Provident Fund Contributions

Principle 10: Accountability

The Board keeps the shareholders updated on the business of the Group through releases of the Group's results, publication of the Company's Annual Report and timely release of relevant information through the SGXNET and our corporate website.

In line with the requirements of SGX-ST, negative assurance confirmations on interim financial results were issued by the Board confirming that to the best of its knowledge, nothing had come to the attention of the Board which may render the Company's quarterly results to be false or misleading in any material aspect.

All shareholders of the Company will receive the Annual Report and the notice of Annual General Meeting. The notice is also advertised in a local newspaper. The Company encourages shareholders' participation at AGMs, and all shareholders are given the opportunity to voice their views and to direct queries regarding the Group to the directors, including the chairperson of each of the Board Committees. The external auditors are also present to assist the directors in addressing any relevant queries from the shareholders.

Management currently provides all members of the Board with appropriately detailed management accounts of the Group's performance, position and prospects on quarterly basis and such management accounts are provided to Executive Directors on a monthly basis.

Principle 11: Risk Management and Internal Controls
Principle 12: Audit Committee
Principle 13: Internal Audit

The Audit Committee ("AC") comprises the following members. All the members are independent directors:

Lim Han Boon	Chairman, Lead Independent Director
Lee Kiam Hwee Kelvin	Independent Director
Tan Hai Peng Micheal	Independent Director

The AC reviews with the external auditors, Mazars LLP, the findings on the audit of the financial statement. It also reviews the internal auditor report as well as the effectiveness of the Group's internal controls, including financial, operational and compliance controls and risk management. It undertakes the following principal functions:

- Review with the internal and external auditors the audit plan, their audit report, their management letter and our management's response;
- Review the financial statements before submission to our Board for approval, focusing, in particular, on changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit, the going concern statement, compliance with accounting standards as well as compliance with any stock exchange and statutory/regulatory requirements;
- Review the internal control procedures and the assistance given by our management to the auditors, and discuss problems and concerns, if any, arising from the interim and final audits, and any matters which the auditors may wish to discuss (in the absence of our management where necessary);
- Review and discuss with the internal and external auditors any suspected fraud and irregularity, or suspected infringement of any relevant laws, rules and regulations, which has or is likely to have a material impact on our Group's operating results or financial position, and our management's response;
- Consider the appointment and re-appointment of the internal and external auditors and matters relating to the resignation or dismissal of the external auditors;
- Review the adequacy and effectiveness of the Group's risk management and internal control systems, including financial, operational and compliance and information technology controls annually;
- Review transactions falling within the scope of Chapter 9 and Chapter 10 of the Listing Manual; and
- Review the Group's foreign exchange exposure and the procedures to manage its foreign currency risks.

The AC shall also undertake:

- Such other reviews and projects as may be requested by our Board and report to our Board its findings from time to time on matters arising and requiring the attention of our Audit Committee; and
- Such other functions and duties as may be required by statute or the Listing Manual, and by such amendments made thereto from time to time.

To discharge its responsibility effectively, the AC has full access to, and the co-operation of, the management and has full discretion to invite any directors and executive officers to attend its meetings. Full resources are made available to the AC to enable it to discharge its function properly.

None of the AC members was formerly affiliated to the external audit firm.

The Group believes and recognises the need to put in place a robust and effective system of internal controls. The AC reviews, on an annual basis, the adequacy of the internal audit function. During its review for the financial year ended 30 September 2018, the Company has appointed CA Trust Solutions Pte. Ltd. to perform an audit on the Group's internal controls. The internal auditors have the requisite skill sets and experience and have carried out their function according to the Standards for Professional Practice of Internal Auditing set by The Institute of Internal Auditors. The internal auditors have unfettered access to all the Company's documents, records, properties and personnel, including access to the AC. The internal auditors have reported their audit findings and recommendations directly to the AC Chairman. The internal audit reports have also been given to the external auditors to ensure effective use of resources and to avoid duplication of effort.

Based on the internal controls established and maintained by the Group, work performed by the external auditors and internal auditors, and reviews performed by management, various Board Committees and the Board, and the assurances from the CEO and CFO, the Board and the AC, are of the opinion that the Group's internal controls addressing financial, operational, compliance and information technology controls, and risk management systems were adequate and effective as at 30 September 2018 and met needs of the Group in its current business environment.

The Board recognised that the system of internal controls is designed to manage rather than to eliminate the risk of failure to achieve business objectives and that no system of internal controls can provide adequate assurance against the occurrence of errors, poor judgment in decision making, losses, frauds or other irregularities. It can only provide reasonable and not absolute assurance against material misstatement of loss or that the Group will not be adversely affected by any event that can be reasonably foreseen.

The AC has adopted a Whistle Blowing Policy (the "Policy") for the Group, which provides a channel for employees and other parties to report in confidence, without fear of reprisals, concerns about possible improprieties in financial reporting or other matters. The Policy is to assist the AC in managing allegations of fraud or other misconduct. It is also to ensure that the disciplinary and civil actions that are initiated following the completion of the investigations are appropriate and fair; and actions are taken to correct the weakness in the existing system of internal processes which allowed the perpetration of the fraud and/or misconduct and to prevent recurrence.

During the financial year under review, the AC has met with the external auditors twice to review any area of audit concern. Ad-hoc AC meetings may be carried out from time to time, as circumstances required.

The Board has received assurance from the Chief Executive Officer and Executive Director that:

(a) the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances; and

(b) the Company maintains an effective risk management and internal control system.

Principle 14: Shareholder Rights
Principle 15: Communication with Shareholders

The Board endeavours to maintain regular, timely and effective communication with shareholders and investors. Quarterly, half-yearly and full year results, including disclosure of information on material matters required by the Listing Manual, will be promptly disseminated to shareholders through announcements made via the SGXNET followed by a news release, which will also be available on the Company's website. Where there is inadvertent disclosure made to a select group, the Company will ensure the same disclosures made publicly available to all others as promptly as possible.

The Board welcomes the view of shareholders on matters affecting the Group, whether at shareholders' meeting or on an *ad-hoc* basis. Shareholders are informed of meetings through notices published in the newspapers and reports or circulars sent to all shareholders.

At general meetings, shareholders are well informed of the rules, including voting procedures that govern general meetings of shareholders as well as given the opportunity to pose any questions to the directors or management relating to the Group's business or performances. Shareholders can vote in person or appoint not more than two proxies to attend and vote on their behalf at the general meeting of shareholders. There is no provision in the Company's Articles that limits the number of proxies for nominee companies.

The Company does not have a fixed policy on payment of dividends at present. The form, frequency and amount of dividends will depend on the Group's current and projected performance, the Company's cash position and any other factors as the Board may deem fit. The Company will consider establishing a dividend policy when it is likely that the Company has the ability to pay a dividend.

Principle 16: Conduct of Shareholder Meeting

The annual general meeting of the Company is a principal forum for dialogue and interaction with all shareholders. The Board encourages shareholders to attend the Company's general meetings to ensure greater level of shareholder participation and to meet with the Board members to stay informed on the Group's developments. Shareholders are invited at such meetings to put forth any questions they may have on the motions to be debated and decided.

Information on general meetings is disseminated through notices in the annual report or circulars sent to all shareholders. Notices of general meetings are also released via SGXNET and posted on the Company's website.

The Directors, including the Chairman of the Board and each Board Committees are present to address shareholders' questions at the annual general meeting. The external auditor is also present to assist the Directors to address shareholders' queries, if necessary.

The Company Secretary prepares minutes of the general meetings, which incorporate substantial comments or queries from shareholders and responses from the Board and the management. These minutes would be made available to shareholders upon request.

The company maintains separate resolutions at the general meetings on each substantially separate issue. Each item of special business included in the notice of meetings will be accompanied by the relevant explanatory notes. This is to enable the shareholders to understand the nature and effect of the proposed resolutions.

Resolutions are put to vote by poll and the detailed results of the number of votes cast for and against each resolution and the respective percentages are announced for each resolution.

Interested Person Transactions

The Company has established procedures to ensure that all transactions with interested persons are reported in a timely manner to the AC and that the transactions are carried out on an arm's length basis. The following table shows the interested person transactions (of more than S$100,000) entered into by the Company or any of its subsidiaries for the financial year under review.

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
PT. Pelayaran Nasional Bina Buana Raya Tbk	–	407

Material Contracts

There were no material contracts of the Company or its subsidiaries involving the interest of any director or controlling shareholder subsisting as at the end of the financial year under review or entered into since the end of the previous financial year.

Securities Transactions

No directors and officers of the Company and the Group are allowed to deal in the Company's shares whilst in possession of unpublished price sensitive information.

In the course of doing business for the Group and the Company or in discussions with customers, vendors, or partners, directors and officers of the Group and the Company may become aware of material non-public information about that organisation. Information is considered material if there is a substantial likelihood that a reasonable investor would consider it important in making a decision to trade in the public securities of the Company. The discussion of this information is on a limited, "need to know" basis internally, and is not shared with anyone outside the Group or the Company. Directors and officers are not allowed to buy or sell the public securities of the affected organisations, including the Company, based on such information, nor can this information be shared with others.

Dealing in the Company's shares is also prohibited during the period commencing two weeks before the announcement of the Group's results for each of the first three quarters of the financial year and during the period commencing one month before the announcement of the Group's annual results, and ending on the date of the relevant announcement.

Risk Management Policies and Processes

The Company does not have a Risk Management Committee. The Board is of the opinion that the existing risk management system is adequate, of which the executive directors and senior management assumes the responsibilities of the risk management function. They regularly assess and review the Group's business and operational environment in order to identify areas of significant business and financial risks, such as credit risks, foreign exchange risks, liquidity risks and interest rates risks, as well as appropriate measures to control and mitigate these risks is adequate and effective.

DIRECTORS' STATEMENT

The directors present their statement to the members together with the audited financial statements of Marco Polo Marine Ltd (the "Company") and its subsidiaries (the "Group") for the financial year ended 30 September 2018 and the statement of financial position of the Company as at 30 September 2018.

1. Opinion of the directors

In the opinion of the directors,

(a) the financial statements of the Group and the statement of financial position of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 30 September 2018 and the financial performance, changes in equity and cash flows of the Group for the financial year ended on that date, in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

2. Directors

The directors of the Company in office at the date of this statement are as follows:

Lee Wan Tang	
Sean Lee Yun Feng	
Lim Han Boon	
Sim Swee Yam Peter	
Lee Kiam Hwee Kelvin	
Tan Hai Peng Micheal	(Appointed on 1 March 2018)
Teo Junxiang, Darren	(Appointed on 1 March 2018)
Jeffrey Hing Yih Peir	(Appointed on 1 March 2018)
Liely Lee	(Alternate director to Lee Wan Tang)

3. Arrangements to enable directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects were, or one of the objects was, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, except as disclosed in paragraphs 4, 5 and 6 below.

4. Directors' interests in shares or debentures

The directors of the Company holding office at the end of the financial year had no interests in the share capital, warrants and debentures of the Company and its related corporations as recorded in the Register of Directors' Shareholdings kept by the Company under Section 164 of the Act, except as disclosed below:

	Direct interests		Deemed interests	
	At 1 October 2017/ Date of appointment *	At 30 September 2018	At 1 October 2017/ Date of appointment *	At 30 September 2018
The Company – Marco Polo Marine Ltd				
(No. of ordinary shares)				
Lee Wan Tang	–	–	208,645,174	208,645,174
Sean Lee Yun Feng	–	–	–	53,571,429
Lim Han Boon	364,101	364,101	–	–
Sim Swee Yam Peter	150,000	150,000	–	–
Tan Hai Peng Micheal	9,800,000 *	9,800,000	40,535,715 *	40,535,715
Teo Junxiang, Darren	–	–	678,571,428 *	678,571,428
Jeffrey Hing Yih Peir	–	–	67,857,142 *	67,857,142
Liely Lee	–	–	–	53,571,428
(No. of Warrants)				
Lee Wan Tang	–	–	–	166,916,139
Lim Han Boon	–	291,280	–	–
Sim Swee Yam Peter	–	120,000	–	–
Tan Hai Peng Micheal	7,840,000 *	7,840,000	–	–

The directors' interests and deemed interest in the shares and warrants of the Group on 21 October 2018 were same as at 30 September 2018.

5. Share options

(a) Marco Polo Marine Ltd Share Option Scheme

At an Extraordinary General Meeting held on 9 July 2012, the shareholders of the Company approved the adoption of three incentive schemes meant for the staff and certain directors of the Group. These three schemes are the Marco Polo Marine Ltd Restricted Share Scheme ("MPM RSS"), the Marco Polo Marine Ltd Performance Share Scheme ("MPM PSS") and the Marco Polo Marine Ltd Employee Share Option Scheme ("MPM ESOS"). The MPM ESOS allows options to be granted to participants at a discount of up to 20% to the prevailing market share price of the Company.

The above schemes are administered by the remuneration committee of the Company authorised and appointed by the board of directors and are available to all employees and non-executive directors of the Group as well as Sean Lee Yun Feng and Liely Lee.

5. Share options (Continued)

(b) Unissued Shares Under MPM ESOS

As at the end of the financial year, unissued shares of the Company under MPM ESOS were as follows:

Option granted	Date granted	Exercise period	Exercise price (per option) $	Aggregate options outstanding as at 30 September 2018
2013 Option	24.04.2013	24.04.2014 to 23.04.2023	0.415	3,430,000
2015 Option	28.04.2015	28.04.2016 to 27.04.2025	0.275	4,160,000
				7,590,000

The details of the options granted pursuant to the MPM ESOS are as follows:

Name	Aggregate option granted [1]	Aggregate option forfeited [2]	Aggregate option outstanding [3]
Directors of the Company			
Sean Lee Yun Feng*^	770,000	–	770,000
Liely Lee*^	770,000	–	770,000
Lim Han Boon	200,000	–	200,000
Sim Swee Yam Peter	100,000	–	100,000
Lee Kiam Hwee Kelvin	100,000	–	100,000
	1,940,000	–	1,940,000
Employees			
Cheam Yeow Cheng*	840,000	–	840,000
Chan Kean Seng*	640,000	–	640,000
Chandra Mohan*	640,000	–	640,000
Loo Hin Loy*	420,000	–	420,000
Other employees	3,230,000	(120,000)	3,110,000
	5,770,000	(120,000)	5,650,000
Total	7,710,000	(120,000)	7,590,000

* Directors and employees who are granted with 5.00% or more of the total options available under the MPM ESOS.

^ Share options granted to the associates of the controlling shareholders of the Company.

5. **Share options (Continued)**

(b) **Unissued Shares Under MPM ESOS (Continued)**

[1] Aggregate options granted since commencement of the Share Option Scheme to end of financial year.

[2] Aggregate options forfeited since commencement of the Share Option Scheme to end of financial year.

[3] Aggregate options outstanding as at end of financial year.

Save as disclosed, no other director or employee of the Group has received 5.00% or more of the total options available under the MPM ESOS.

Save as disclosed, the Company has no other outstanding securities, which are capable of being converted into shares of the Company, nor has it awarded any shares pursuant to the MPM RSS or MPM PSS as at the date of this statement.

6. **Warrants**

On 30 January 2018, the Company issued and allotted 269,238,877 free warrants (the "Warrants") on the basis of eight (8) Warrants for every ten (10) Shares held by the Shareholders as at the end of the books closure date on 24 January 2018. Each of the Warrants would entitle the holder a right to subscribe for one new Share at an exercise price of S$0.035 each and each Warrant can only be exercised during the period commencing on and including the date six (6) months from the date of listing of the Warrants on the Singapore Exchange Securities Trading Limited (the "SGX-ST") on 2 February 2018 and expiring on the date immediately preceding 30 January 2023, being the fifth anniversary of the date of issue of the Warrants.

During the financial year, 160,000 new ordinary shares were issued pursuant to the exercise of warrants for the equivalent numbers by the registered holders.

7. **Audit Committee**

The members of the Audit Committee ("AC") at the end of the financial year are as follows:

Lim Han Boon	(Chairman)
Lee Kiam Hwee Kelvin	(Independent Director)
Tan Hai Peng Micheal	(Independent Director)

The AC carried out its functions in accordance with Section 201B (5) of the Act, the Listing Manual of the Singapore Exchange Securities Trading Limited and the Code of Corporate Governance.

The AC also reviewed the following, where relevant, with the executive directors and external auditors of the Company:

(i) the audit plan and results of the external audit and the independence and objectivity of the external auditors, including the review of the extent of non-audit services provided by the external auditors to the Group;

(ii) the audit plans of the internal auditors of the Group and their evaluation of the adequacy of the Group's system of internal accounting controls;

7. Audit Committee (Continued)

(iii) Group's quarterly and annual financial statements and the external auditors' report on the annual financial statements of the Group and of the Company before their submission to the Board of Directors;

(iv) the quarterly, half-yearly and annual announcements as well as the related press releases on the results of the Group and financial position of the Group and of the Company;

(v) the adequacy of the Group's risk management processes;

(vi) the Group's compliance with legal requirements and regulations, including the related compliance policies and programmes and reports received from regulators, if any;

(vii) interested person transactions in accordance with SGX listing rules;

(viii) nomination of external auditors and approval of their compensation; and

(ix) submission of report of actions and minutes of the AC to the Board of Directors with any recommendations as the AC deems appropriate.

The AC has full access to management and is given the resources required for it to discharge its functions. It has full authority and discretion to invite any director or executive officer to attend its meetings.

The AC convened four meetings during the year with attendance from majority of members and has also met with the internal and independent auditors, without the presence of the Company's management, at least once a year.

The AC has recommended to the Board of Directors that the independent auditors, Mazars LLP, be nominated for re-appointment at the forthcoming Annual General Meeting of the Company. The Audit Committee has conducted an annual review of non-audit services provided by the auditors to satisfy itself that the nature and extent of such services will not affect the independence and objectivity of the external auditors before confirming their re-nomination. The AC has also conducted a review of interested person transactions.

8. Auditors

The auditors, Mazars LLP, have expressed their willingness to accept re-appointment.

On behalf of the directors

SEAN LEE YUN FENG
Director

LIELY LEE
Director

Singapore
17 December 2018

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF MARCO POLO MARINE LTD.

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of Marco Polo Marine Ltd (the "Company") and its subsidiaries (the "Group") which comprise the statements of financial position of the Group and of the Company as at 30 September 2018, the statements of profit or loss and other comprehensive income, changes in equity and cash flows of the Group for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies set out on page 38 to 111.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore ("FRS") so as to give a true and fair view of the financial position of the Group and of the Company as at 30 September 2018 and of the financial performance, changes in equity and cash flows of the Group for the financial year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSA"). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* (the "ACRA code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Overview

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements.

As in all our audits, we exercised our professional judgement in determining our materiality, which was also affected by our perception of the financial information needs of the users of the financial statements, being the magnitude of misstatement in the financial statements that makes it probable for a reasonably knowledgeable person to change or be influenced in his economic decision.

For the audit of the current year's financial statements, we performed full scope audit of 15 components as appointed statutory auditors. We identified 7 significant components within the Group which required a full scope audit of their financial information, either because of their size or their risk characteristics, providing 94% coverage of the Group's revenue and 97% of the Group's total assets. Out of the 7 significant components, 2 were audited by component auditors and the remaining 5 were audited by us. For non-significant components that were not audited by us, we performed limited review and specific procedures on significant areas.

We focused our resources and effort on areas which were assessed to have higher risks of material misstatements, including areas which involve significant judgements and estimates to be made by directors.

Report on the Audit of Financial Statements (Continued)

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current financial year. These matters include the salient areas of focus in our audit and do not represent all the risks identified by our audit. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<table>
<tr><td colspan="2">Impairment assessment of vessels
Refer to Notes 3.2(b) and 11 to the financial statements</td></tr>
<tr><td>Key audit matter</td><td>How the matter was addressed in our audit</td></tr>
<tr><td>As at 30 September 2018, the Group's vessels included in property, plant and equipment are S$63.2 million (30 September 2017: S$53.6 million).

Indicators of impairment on vessels exist in the form of the market downturn of global marine and offshore industry, decrease in demand and overall operational results of the Group. The determination of recoverable amount of vessels involves significant estimation uncertainty and management judgement.

The recoverable amount is based on higher of the fair value less cost of disposal and value-in-use of the vessels.

The Group appointed independent professional valuers to carry out a review on the recoverable amounts of vessels. In preparing the valuation reports, some of the factors considered by the professional valuers include consideration of the specification, capacities and capabilities of the vessels, expected remaining useful life of the vessels, the current market conditions in which the vessels operate and review of recent market sales of similar vessels. Key assumptions used in assessing recoverable amount include consideration of the condition of the vessels, the current reported market sales and known offers for comparative vessels.

Due to the high level of judgement involved in estimating the value and the significance of the carrying amount of the vessels, we determined this as a key audit matter.</td><td>Our audit procedures include, but are not limited to the following:

• Evaluated the competence, capabilities and objectivity of the external valuers engaged by management;

• Assessed the appropriateness of the methodologies and the reasonableness of the key assumptions used by the valuers in the valuation; and

• Assessed the adequacy of the disclosures on the impairment and write down of vessels, if any in the financial statements.</td></tr>
</table>

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF MARCO POLO MARINE LTD.

Report on the Audit of Financial Statements (Continued)

Key Audit Matters (Continued)

<table>
<tr><td colspan="2">Recoverability of trade receivables
Refer to Notes 3.2(f) and 16 to the financial statements</td></tr>
<tr><td>Key audit matter</td><td>How the matter was addressed in our audit</td></tr>
<tr><td>As at 30 September 2018, the Group's trade receivables are S$4.0 million (2017: S$4.5 million), which represented approximately 16% (2017: 15%) of the Group's total current assets.

The recoverability of trade receivables is also a risk area due to the current climate of the industry as well as oversupply of Offshore Supply Vessels. The Group reviews its receivables for objective evidence of impairment at least yearly. Significant financial difficulties of the debtor, the probability that the debtor will enter bankruptcy and default or delay in payments are considered objective evidence that a receivable is impaired.

The process of assessing the impairment by management requires significant judgement and estimation. There is a risk that the recoverable amount of the receivables may not be accurate if the key assumptions applied by management are inappropriate.

Due to the significance of this matter, we determined this as a key audit matter.</td><td>Our audit procedures include, but are not limited to the following:

• Obtained an understanding of the credit policies and credit assessment procedures;

• Assessed the Group's processes and controls relating to the monitoring of trade receivables and considered aging to identify collection risks;

• Reviewed debtors aging report to identify any long overdue receivables and reviewed their historical pattern of settlement;

• Inquired management if there are any known disputed receivables and discussed with management on the collectability of receivables and adequacy of doubtful receivables allowances; and

• Reviewed the collectability of the trade receivables by way of obtaining evidence of receipts subsequent to the balance sheet date from the customers.</td></tr>
</table>

Report on the Audit of Financial Statements (Continued)

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and the independent auditors' report thereon, which we obtained prior to the date of this report.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRS, and for devising and maintaining a system of internal accounting controls sufficient to provide reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Report on the Audit of Financial Statements (Continued)

Auditors' Responsibilities for the Audit of the Financial Statements (Continued)

As part of an audit in accordance with SSA, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

- The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary entities incorporated in Singapore have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditors' report is Lai Keng Wei.

MAZARS LLP
Public Accountants and
Chartered Accountants

Singapore
17 December 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the financial year ended 30 September 2018

	Note	Group	
		2018	2017
		$'000	$'000
			(Restated)
Revenue	4	26,557	38,638
Cost of sales		(21,285)	(28,766)
Gross profit		5,272	9,872
Other operating income	5	184,694	1,041
Administrative expenses		(6,352)	(5,717)
Other operating expenses		(7,325)	(255,998)
Profit/(Loss) from operations		176,289	(250,802)
Finance costs	7	(2,841)	(10,221)
Share of losses in joint ventures	13	(5,410)	(51,269)
Profit/(Loss) before income tax	8	168,038	(312,292)
Income tax credit/(expense)	9	940	(398)
Profit/(Loss) for the financial year attributable to equity holders of the Company		168,978	(312,690)
Other comprehensive income:			
Item that may be reclassified subsequently to profit or loss			
Share of other comprehensive (loss)/income of a joint venture		(79)	194
Exchange differences arising from translation of foreign operations		441	918
Total other comprehensive income for the financial year		362	1,112
Total comprehensive income/(loss) for the financial year attributable to equity holders of the Company		169,340	(311,578)
Earnings/(Loss) per share (cents per share)	10		
Basic		6.7	(92.9)
Diluted		6.7	(92.9)

The accompanying notes form an integral part of and should be read in conjunction with these financial statements.

STATEMENTS OF FINANCIAL POSITION

As at 30 September 2018

		Group		Company	
	Note	2018	2017	2018	2017
		$'000	$'000	$'000	$'000
ASSETS					
Non-current assets					
Property, plant and equipment	11	87,611	80,765	–	–
Investments in subsidiaries	12	–	–	4,320	4,320
Investments in joint ventures	13	11,490	18,830	3,965	3,965
Total non-current assets		99,101	99,595	8,285	8,285
Current assets					
Inventories	14	1,426	15,080	–	–
Gross amounts due from customers for construction contracts	15	–	3,015	–	–
Trade receivables	16	3,996	4,530	–	–
Other receivables, deposits and prepayments	17	2,288	3,196	129	52
Amounts due from subsidiaries (non-trade)	18	–	–	121,716	96,836
Cash and cash equivalents	19	17,947	4,781	13,145	6
Total current assets		25,657	30,602	134,990	96,894
TOTAL ASSETS		124,758	130,197	143,275	105,179
LIABILITIES AND EQUITY					
Current liabilities					
Gross amounts due to customers for construction contracts	15	5	–	–	–
Bank overdraft	19	–	2,000	–	–
Trade payables	20	4,510	10,291	–	–
Other payables and accruals	21	4,130	22,066	1,378	10,412
Borrowings – interest bearing	22	52	245,837	–	50,000
Income tax payable		1,122	1,655	–	–
Total current liabilities		9,819	281,849	1,378	60,412
Non-current liabilities					
Trade payables	20	1,624	–	–	–
Borrowings – interest bearing	22	102	35	–	–
Deferred tax liabilities	25	–	955	–	–
Total non-current liabilities		1,726	990	–	–
TOTAL LIABILITIES		11,545	282,839	1,378	60,412

The accompanying notes form an integral part of and should be read in conjunction with these financial statements.

STATEMENTS OF FINANCIAL POSITION

As at 30 September 2018

	Note	Group 2018 $'000	Group 2017 $'000	Company 2018 $'000	Company 2017 $'000
Capital and reserves attributable to equity holders of the Company					
Share capital	26	155,671	59,239	155,671	59,239
Treasury shares	27	(1,203)	(1,203)	(1,203)	(1,203)
Capital reserve	28	634	634	–	–
Other reserves	28	115	194	–	–
Employee share option reserve	28	436	353	–	–
Foreign currency translation reserve	28	1,891	1,450	–	–
Accumulated losses		(44,331)	(213,309)	(12,571)	(13,269)
TOTAL EQUITY/(CAPITAL DEFICIENCY)		113,213	(152,642)	141,897	44,767
TOTAL EQUITY AND LIABILITIES		124,758	130,197	143,275	105,179

The accompanying notes form an integral part of and should be read in conjunction with these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 30 September 2018

	Attributable to equity holders of the Company							
	Share capital	Treasury shares	Capital reserve	Other reserves	Employee share option reserve	Foreign currency translation reserve	Accumulated losses	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance as at 1 October 2017	59,239	(1,203)	634	194	353	1,450	(213,309)	(152,642)
Issuance of ordinary shares pursuant to:								
– exercise of warrants (Note 26)	5	–	–	–	–	–	–	5
– debt restructuring exercise (Note 26)	96,427	–	–	–	–	–	–	96,427
	96,432	–	–	–	–	–	–	96,432
Profit for the financial year	–	–	–	–	–	–	168,978	168,978
Other comprehensive (loss)/income for the financial year	–	–	–	(79)	–	441	–	362
Total comprehensive (loss)/income for the financial year	–	–	–	(79)	–	441	168,978	169,340
Grant of employee share option (Note 6)	–	–	–	–	83	–	–	83
Balance as at 30 September 2018	155,671	(1,203)	634	115	436	1,891	(44,331)	113,213

The accompanying notes form an integral part of and should be read in conjunction with these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 30 September 2018

	Attributable to equity holders of the Company							
	Share capital	Treasury shares	Capital reserve	Other reserves	Employee share option reserve	Foreign currency translation reserve	Retained earnings/ (Accumulated losses)	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance as at 1 October 2016	59,239	(1,203)	634	–	241	532	99,381	158,824
Loss for the financial year	–	–	–	–	–	–	(312,690)	(312,690)
Other comprehensive income for the financial year	–	–	–	194	–	918	–	1,112
Total comprehensive income/(loss) for the financial year	–	–	–	194	–	918	(312,690)	(311,578)
Grant of employee share option (Note 6)	–	–	–	–	112	–	–	112
Balance as at 30 September 2017	59,239	(1,203)	634	194	353	1,450	(213,309)	(152,642)

The accompanying notes form an integral part of and should be read in conjunction with these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 30 September 2018

	Note	2018 $'000	2017 $'000 (Restated)
Operating activities			
Profit/(Loss) before income tax		168,038	(312,292)
Adjustments for:			
Allowance for doubtful trade receivables	8	1,931	16,876
Allowance for doubtful trade receivables written back	8	(781)	–
Bad debts written off	8	102	416
Waiver of debts	5	(179,878)	–
Deposits written off	8	3	2,289
Depreciation of property, plant and equipment	11	7,298	16,508
Fair value adjustment of derivative financial instruments	8	–	(251)
Foreign exchange difference		(1,339)	1,363
Gain on disposal of property, plant and equipment, net	5	(665)	–
Impairment loss on property, plant and equipment	11	–	136,128
Impairment loss on investments in joint ventures	13	–	7,531
Interest expense	7	2,841	10,221
Interest income	5	(126)	(12)
Inventories written down	14	–	38,750
Inventories written off	14	2	–
Property, plant and equipment written off	11	1	–
Recoverable cost expensed off	8	–	34,264
Reversal of impairment loss on investments in joint ventures	13	(779)	–
Share-based payment expense	6	83	112
Share of losses in joint ventures	13	5,410	51,269
Operating cash flows before movements in working capital		2,141	3,172
Changes in working capital:			
Due from/(to) customers for construction contracts		3,020	(3,491)
Inventories		168	6,861
Trade and other payables		(9,253)	(1,394)
Trade and other receivables		57	(3,067)
Cash (used in)/generated from operations		(3,867)	2,081
Interest paid		(19)	(51)
Income tax paid		(288)	(1,209)
Net cash (used in)/from operating activities		(4,174)	821
Investing activities			
Repayment from a joint venture		3,112	–
Proceeds from disposal of plant and equipment		1,699	–
Purchase of property, plant and equipment	11	(1,419)	(9)
Net cash from/(used in) investing activities		3,392	(9)

The accompanying notes form an integral part of and should be read in conjunction with these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 30 September 2018

	Note	2018 $'000	2017 $'000
Financing activities			
Interest paid on finance lease payables		(8)	(9)
Interest paid on medium term note		–	(1,691)
Interest paid on term loans		(140)	(2,433)
Interest received		105	12
Proceeds from exercise of warrants	26	5	–
Proceeds from issuance of shares	35	60,000	–
Repayment of finance lease payables, net		(68)	(71)
Repayment of term loans		(43,875)	(3,629)
Withdrawal of fixed deposits and bank balances pledged with licensed bank		1,131	500
Net cash from/(used in) financing activities		17,150	(7,321)
Net increase/(decrease) in cash and cash equivalents		16,368	(6,509)
Cash and cash equivalents at beginning of financial year		1,650	8,210
Effect of exchange rate changes on cash and cash equivalents		(71)	(51)
Cash and cash equivalents at end of financial year	19	17,947	1,650

Reconciliation of liabilities arising from financing activities

				Non-cash movements				
	At beginning of financial year $'000	Financing cashflows $'000	Purchase of property, plant and equipment $'000	Waiver of debts $'000	Settlement by way of issuance of shares $'000	Interest expense $'000	Foreign exchange losses $'000	At end of financial year $'000
Liabilities								
Term loans	245,769	(44,015)	–	(169,394)	(30,766)	–	(1,594)	–
Finance lease obligations	103	(76)	119	–	–	8	–	154

The accompanying notes form an integral part of and should be read in conjunction with these financial statements.

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. GENERAL INFORMATION

Marco Polo Marine Ltd. (the "Company") is a limited liability company domiciled and incorporated in Singapore and is listed on the Singapore Exchange Securities Trading Limited ("SGX-ST"). The address of the Company's registered office and principal place of business is 66 Kallang Pudding Road, #05-01 Hor Kew Business Centre, Singapore 349324.

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are disclosed in Note 12 to the financial statements.

The consolidated financial statements of the Group and the statement of financial position of the Company for the financial year ended 30 September 2018 were authorised for issue in accordance with a resolution of the Board of Directors on 17 December 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements of the Group and the statement of financial position of the Company have been drawn up in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards ("FRS") including related Interpretations of FRS ("INT FRS") and are prepared on the historical cost basis, except as disclosed in the accounting policies below.

The individual financial statements of each entity in the Group are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group and the statement of financial position of the Company are presented in Singapore dollar ("$"), which is also the functional currency of the Company, and all values presented are rounded to the nearest thousand ("$'000"), unless otherwise indicated.

FRS 7 *Amendments to FRS 7: Disclosure Initiative*

Consequent to the adoption of these amendments, the Group has disclosed additional information to enable users of the financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. Comparative information has not been presented. This disclosure has been included in the Consolidated Statement of Cash Flows.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

FRS and INT FRS issued but not yet effective

At the date of authorisation of these financial statements, the following FRS and INT FRS that are relevant to the Group were issued but not yet effective:

FRS	Title	Effective date (annual periods beginning on or after)
FRS 40	Amendments to FRS 40: Transfers of Investment Property	1 January 2018
FRS 102	Amendments to FRS 102: Classification and Measurement of Share-based Payment Transactions	1 January 2018
FRS 104	Amendments to FRS 104: Applying FRS 109 Financial Instruments with FRS 104 Insurance Contracts	1 January 2018
FRS 109	Financial Instruments	1 January 2018
FRS 115	Revenue from Contracts with Customers	1 January 2018
FRS 115	Amendments to FRS 115: Effective date of FRS 115	1 January 2018
FRS 115	Amendments to FRS 115: Clarifications to FRS 115 Revenue from Contracts with Customers	1 January 2018
INT FRS 122	Foreign Currency Transactions and Advance Consideration	1 January 2018
FRS 19	Amendments to FRS 19: Plan Amendment, Curtailment or Settlement	1 January 2019
FRS 28	Amendments to FRS 28: Long-term Interests in Associates and Joint Ventures	1 January 2019
FRS 109	Amendments to FRS 109: Prepayment Features with Negative Compensation	1 January 2019
FRS 116	Leases	1 January 2019
INT FRS 123	Uncertainty over Income Tax Treatments	1 January 2019
FRS 110, FRS 28	Amendments to FRS 110 and FRS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
Various	Improvements to FRSs (March 2018)	1 January 2019
FRS 117	Insurance contracts	1 January 2021

Consequential amendments were also made to various standards as a result of these new or revised standards.

The Group and the Company have not early adopted any of the above new or revised standards, interpretations and amendments to the existing standards in the financial year ended 30 September 2018. Management anticipates that the adoption of the aforementioned new or revised standards will not have a material impact on the financial statements of the Group and the Company in the period of their initial adoption.

FRS 109 *Financial Instruments*

FRS 109 supersedes *FRS 39 Financial Instruments: Recognition and Measurement* (“FRS 39”) with new requirements for the classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

FRS 109 *Financial Instruments* (Continued)

Financial assets are classified into financial assets measured at (i) fair value through profit or loss; (ii) amortised cost; or (iii) fair value through other comprehensive income, depending on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets, or as otherwise designated as such upon initial recognition, if allowed.

Fair value gains or losses will be recognised in profit or loss except for certain equity investments, for which the entity will have a choice to recognise the gains and losses in other comprehensive income if the financial assets are measured at fair value through other comprehensive income.

There have been no changes in the de-recognition requirements of financial assets and liabilities, nor the recognition, classification and measurement requirements for financial liabilities from FRS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch.

A new forward-looking impairment model based on expected credit losses, which replaces the incurred loss model in FRS 39, determines the recognition of impairment provisions as well as interest revenue. An entity will recognise (at a minimum of) 12 months of expected credit losses in profit or loss for financial assets measured at amortised cost or fair value through other comprehensive income, unless in the circumstance when there is a significant increase in credit risk after initial recognition which requires the entity to recognise lifetime expected credit losses on the affected assets.

The Group plans to apply the simplified approach and record lifetime expected impairment losses on all trade receivables and any contract assets arising from the application of FRS 109. However, the Group is still assessing the potential impact of FRS 109 on its financial statements in the initial year of adoption. Preliminarily, based on currently known and reasonably estimable information relevant to its assessment, the Group does not expect any potential impact in its initial adoption.

FRS 115 *Revenue from Contracts with Customers*

FRS 115 supersedes FRS 11 *Construction Contracts*, FRS 18 *Revenue* ("FRS 18"), INT FRS 113 *Customer Loyalty Programmes*, INT FRS 115 *Agreements for the Construction of Real Estate*, INT FRS 118 *Transfers of Assets from Customers* and INT FRS 31 *Revenue – Barter Transactions Involving Advertising Services* to report useful information about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer.

Entities are required to adopt a five-step model which requires (i) their identification of the contract; (ii) their identification of the performance obligations in the contract; (iii) the determination of transaction price; (iv) allocation of the transaction price; and (v) recognition of revenue when (i.e. at a point in time) or as (i.e. over time) each performance obligation is satisfied.

The core principle is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration which the entity expects to be entitled in exchange for those goods or services.

Preliminarily, based on currently known and reasonably estimate information relevant to its assessment, the Group does not expect any potential impact on its initial adoption.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

FRS 116 *Leases*

FRS 116 supersedes FRS 17 *Leases*, INT FRS 104 Determining whether an Arrangement contains a Lease, INT FRS 15 *Operating Leases – Incentives*, and INT FRS 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease* to set out the principles for the recognition, measurement, presentation and disclosure of leases. The changes introduced by FRS 116 will primarily affect the financial statements of the lessees.

FRS 116 requires, with limited exceptions, the lessee to recognise, at initial recognition, lease liabilities, measured at the present value of lease payments that are not paid as of that date to reflect the present value of the future lease payments, and right-of-use assets at cost, comprising elements including the amount of the initial measurement of the lease liabilities, initial direct costs incurred by the lessee and estimates of other contracted costs to be incurred by the lessee, for its lease contracts. Leases of "low-value" assets and qualifying short term leases entered into by lessees can be exempted from the new recognition criteria.

The Group does not intend to early adopt FRS 116. The Group is still assessing the potential impact of FRS 116 on its financial statements in the initial year of adoption.

Singapore Financial Reporting Standards (International)

In December 2017, the Accounting Standards Council (the "ASC") issued the Singapore Financial Reporting Standards (International) ("SFRS(I)") as the new accounting framework to be mandatorily applied by qualifying entities, which include Singapore-incorporated entities whose debt or equity instruments are traded in a public market in Singapore, in the preparation and presentation of their general purpose financial statements for annual reporting periods beginning on or after 1 January 2018.

This first volume of SFRS(I) contains the equivalent of consolidated text of IFRS as issued by the International Accounting Standards Board ("IASB") at 31 December 2017 that are applicable for annual reporting periods beginning on 1 January 2018. Simultaneous to its compliance with SFRS(I), the Group can hence elect to include an explicit and unreserved statement of compliance with IFRS in its first and subsequent SFRS(I) financial statements.

In the initial adoption of its first SFRS(I) financial statements and each interim financial report presented in accordance with SFRS (I) 1-34 Interim Financial Reporting, the Group is required to apply SFRS(I) 1 First-Time Adoption of Singapore Financial Reporting Standards (International) ("SFRS(I) 1") which is equivalent to IFRS 1 First-Time Adoption of International Financial Reporting Standards and which mandates, amongst other disclosure requirements, the Group's presentation of at least 3 statements of financial position, including comparative information for all statements presented.

The Group has not early adopted SFRS(I) and has commenced its assessment of the impact of the initial adoption of SFRS(I) on its financial statements. Such assessment includes its consideration and application of the transition requirements and options made available in SFRS(I) 1 in the financial statements. Concurrently, the Group considered the impact of the initial adoption of the aforementioned relevant revised/new FRS, amendments to and interpretations of FRS, for which there are equivalent standards in the SFRS(I) framework, which are also effective from the same date of the Group's initial adoption of SFRS(I) on its financial statements.

Preliminarily, based on currently known and reasonably estimable information relevant to its assessment, the Group does not expect material impact on its financial statements in its initial adoption of SFRS(I) 1.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Basis of consolidation

The financial statements of the Group comprise the financial statements of the Company and its subsidiaries and they incorporate its post-acquisition share of the results of joint ventures using the equity method of accounting. Subsidiaries are entities (including structured entities) (i) over which the Group has power and the Group is (ii) able to use such power to (iii) affect its exposure, or rights, to variable returns from then through its involvement with them.

The Group reassesses whether it controls the subsidiaries if facts and circumstances indicate that there are changes to the one or more of the three elements of control.

When the Group has less than a majority of the voting rights of an investee, it still has power over the investee when the voting rights are sufficient, after considering all relevant facts and circumstances, to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers, among others, the extent of its voting rights relative to the size and dispersion of holdings of the other vote holders, currently exercisable substantive potential voting rights held by all parties, rights arising from contractual arrangements and voting patterns at previous shareholders' meetings.

Subsidiaries are consolidated from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate.

Intra-group assets and liabilities, equity, income, expenses and cash flows relating to intragroup transactions are eliminated on consolidation.

The financial statements of the subsidiaries used in the preparation of the financial statements are prepared for the same reporting date as that of the Company. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

Non-controlling interests are identified separately from the Group's equity therein. On an acquisition-by-acquisition basis, non-controlling interests may be initially measured either at fair value or at their proportionate share of the fair value of the acquiree's identifiable net assets. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Losses in the subsidiary are attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any differences between the amount by which the non-controlling interests are adjusted to reflect the changes in the relative interests in the subsidiary and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

When the Group loses control over a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under FRS 39 or, when applicable, the cost on initial recognition of an investment in an associate or joint venture.

Investments in subsidiaries are carried at cost less any impairment loss that has been recognised in profit or loss in the Company's separate financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Business combinations

Business combinations from 1 October 2010

The acquisition of subsidiaries is accounted for using the acquisition method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments. The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or liability is remeasured at subsequent financial year ends in accordance with FRS 39 or FRS 37 *Provisions, Contingent Liabilities and Contingent Assets* ("FRS 37") as appropriate, with the corresponding gain or loss being recognised in profit or loss.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under FRS 103 *Business Combinations* ("FRS 103") are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held-for-sale in accordance with FRS 105 *Non-Current Assets Held for Sale and Discontinued Operations* ("FRS 105"), which are recognised and measured at the lower of cost and fair value less costs to sell.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under FRS 103 are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with FRS 12 *Income Taxes* and FRS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with FRS 102 *Share-based Payment*; and

- assets (or disposal groups) that are classified as held for sale in accordance with FRS 105 are measured in accordance with that Standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period end in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Business combinations (Continued)

Business combinations from 1 October 2010 (Continued)

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date, and is subject to a maximum of one year from acquisition date.

Goodwill arising on acquisition is recognised as an asset at the acquisition date and is initially measured at cost, being the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer previously held equity interest (if any) in the entity over net acquisition-date fair value amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Business combinations before 1 October 2010

In comparison to the above mentioned requirements, the following differences applied:

Business combinations were accounted for by applying the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as step acquisitions. Adjustments to those fair values relating to previously held interests were treated as a revaluation and recognised in equity.

When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree were not reassessed on acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that would otherwise be required under the contract.

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was probable and a reliable estimate was determinable. Subsequent measurements to the contingent consideration affected goodwill.

2.4 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured regardless of when the payment is made. Revenue is measured at the fair value of the consideration received or receivable, excluding discounts, rebates and sales taxes or duty. The Group assesses its revenue arrangements to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Revenue recognition (Continued)

The following specific recognition criteria must also be met before revenue is recognised:

For charter hire income, voyage charter is recognised based on the loading date/discharging date; and time charter is recognised based on a time apportionment basis.

Revenue from ship repair is recognised when the services are rendered to and accepted by the customers.

Revenue from ship building is recognised by reference to both contract costs incurred to date as a percentage of total estimated contract costs for each contract; and the survey of work performed at the financial year end. Stage of completion for tug and barges is determined by reference to contract costs incurred to date as a percentage of total estimated contract costs for each contract. Stage of completion for offshore vessels is determined by reference to the survey of work performed at the financial year end. When the outcome of contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that is probable will be recoverable.

<u>Interest income</u>

Interest income is accrued on a time basis by reference to the principal outstanding and at the effective interest rate applicable.

<u>Rental income</u>

Rental income arising from commercial property sub-leases is accounted for on a straight-line basis over the lease terms. The aggregate cost of incentives provided to lessees is recognised as a reduction of rental income over the lease term on a straight-line basis.

2.5 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Borrowing costs on general borrowings are capitalised by applying a capitalisation rate to construction or development expenditures that are financed by general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.6 Employees' benefit costs

(i) Retirement benefits

The Group participates in the national schemes as defined by the laws of the countries in which it has operations.

<u>Singapore</u>

The Company and its subsidiaries make contribution to the Central Provident Fund ("CPF") Scheme in Singapore, a defined contribution pension scheme.

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Employees' benefit costs (Continued)

(i) Retirement benefits (Continued)

Indonesia

The subsidiaries, incorporated and operating in Indonesia, are required to provide certain retirement plan contribution to their employees under existing Indonesia regulations. Contributions are provided at rates stipulated by Indonesia regulations and are managed by government agencies, which are responsible for administering these amounts for the subsidiary's employees.

(ii) Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability as a result of services rendered by employees up to the end of the financial year.

(iii) Share based payment

Employees of the Group received remuneration in the form of share options as consideration for services rendered.

Equity-settled share-based payments are measured at fair value of the equity instruments (excluding the effect of non-market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the number of equity instruments that will eventually vest and adjusted for the effect of non-market-based vesting conditions. At the end of each financial year, the Group revises the estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised over the remaining vesting period with a corresponding adjustment to the equity-settled employee benefits reserve.

The transfer of the balance in the share option reserve to share capital or treasury shares upon exercise of the option and the transfer of the balance in the share option reserve to retained profits upon expiry of the option are not mandatory and may be kept as a separate reserve upon expiry or exercise of the option.

2.7 Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the financial year. Taxable profit differs from profit as reported in the profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted in countries where the Company and subsidiaries operate by the end of the financial year.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Income tax (Continued)

Deferred tax is recognised on the differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised on taxable temporary differences arising on investments in subsidiaries and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each financial year and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the financial year and based on the tax consequence that will follow from the manner in which the Group expects, at the end of the financial year, to recover or settle the carrying amounts of its assets and liabilities. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited directly to equity, in which case the tax is also recognised directly in equity, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

2.8 Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all terms and conditions relating to the grants have been complied with. Where the grant relates to an asset, the fair value is recognised as deferred capital grant as at the financial year end and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

2.9 Dividends

Equity dividends are recognised when they become legally payable. Interim dividends are recorded in the financial year in which they are declared payable. Final dividends are recorded in the financial year in which the dividends are approved by the shareholders.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Foreign currency transactions and translation

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rates of exchange prevailing on the date of the transaction. At the end of each financial year, monetary items denominated in foreign currencies are retranslated at the rates prevailing as of the end of the financial year. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the year. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the year except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in other comprehensive income.

Exchange differences relating to assets under construction for future productive use, are included in the cost of those assets where they are regarded as an adjustment to interest costs on foreign currency borrowings.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Singapore dollars using exchange rates prevailing at the end of the financial year. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such accumulated translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings and other currency instruments designated as hedges of such investments, are recognised in other comprehensive income and accumulative in the translation reserve.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

2.11 Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation and any accumulated impairment losses.

The cost of property, plant and equipment includes its purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Dismantlement, removal or restoration costs are included as part of the cost of property, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the property, plant and equipment.

Subsequent expenditure relating to property, plant and equipment is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in profit or loss when incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Property, plant and equipment (Continued)

Depreciation is charged so as to write off the cost of assets, vessels-in-progress, over their estimated useful lives, using the straight-line method, on the following bases:

	Useful lives (Years)
Leasehold land	23
Office equipment, furniture & fittings	3 – 5
Renovation	5
Vessels	15 – 20
Machinery and equipment	4 – 8
Leasehold improvements	over the remaining life of leasehold land
Motor vehicles	4 - 8
Dry dock	5

Vessels-in-construction comprises direct cost of construction and installation during the period of construction for vessels, borrowing costs for qualifying assets capitalised in accordance with the Group's accounting policy. Vessels-in-construction is transferred to vessels when it is completed and ready for its intended use. No depreciation is provided on vessels-in-construction until the vessels are completed and is ready for its intended use.

Dry docking expenses, when incurred, will be deferred and amortised on a straight-line basis over the period to the next dry docking date.

Capital projects in progress comprising development and construction costs incurred during the period of construction for qualifying assets and borrowing costs for qualifying assets capitalised in accordance with the Group's accounting policy. Capital projects in progress are transferred to the appropriate category of assets when it is completed and ready for its intended use. No depreciation is provided on these assets until they are ready for their intended use.

The carrying amount of property, plant and equipment are reviewed for impairment when the events or changes in circumstances indicate that carrying value may not be recoverable.

The residual values, estimated useful lives and depreciation methods are reviewed, and adjusted as appropriate, at each financial year end to ensure that the amount, method and period of depreciation are consistent with the expected pattern of economic benefits from items of property, plant and equipment.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, if there is no certainty that the lessee will obtain ownership by the end of the lease term, the asset shall be fully depreciated over the shorter of the lease term and its useful life.

The gain or loss, being the difference between the sales proceeds and the carrying amount of the asset, arising on disposal or retirement of an item of property, plant and equipment is recognised in profit or loss. Any amount in the revaluation reserve relating to that asset is transferred to retained earnings directly.

Fully depreciated plant and equipment are retained in the financial statements until they are no longer in use.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Investments in joint ventures

A joint arrangement is a contractual arrangement whereby two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

A joint arrangement is classified either as a joint operation or a joint venture, based on the rights and obligations of the parties to the arrangement.

To the extent the joint arrangement provides the Group with rights to the assets and obligations for the liabilities relating to the arrangement, the arrangement is a joint operation. To the extent the joint arrangement provides the Group with rights to the net assets of the arrangement, the arrangement is a joint venture.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only decisions about the relevant activities require unanimous consent of the parties sharing control.

On acquisition of the investment, any excess of the cost of the investment over the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is accounted for as goodwill and is included in the carrying amount of the investment. Any excess of the Group's net fair value of the joint venture's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the Group's share of the joint venture's profit or loss in the reporting period in which the investment is acquired.

The financial statements of the joint ventures have the same financial year end as the Group. Where necessary, accounting policies of joint ventures have been changed to ensure consistency with the policies adopted by the Group.

The results and assets and liabilities of joint ventures are incorporated in these financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held-for-sale, in which case it is accounted for under FRS 105, from the date on which the investees become a joint venture. Under the equity method, investments in joint ventures are carried at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the joint venture, less any accumulated losses of individual investments. The Group's share of losses in a joint venture in excess of the Group's interest in that joint venture (which includes any long term interests that, in substance, form part of the Group's net investment in the joint venture) are not recognised, unless the Group has incurred legal or constructive obligations or made payments on behalf of the joint ventures. Distributions received from the joint venture reduce the carrying amount of the investment.

For partial disposal where the reduction in the Group's ownership interest in joint ventures that do not result in the Group losing joint control, the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

Any goodwill arising on the acquisition of the Group's interest in a joint venture is accounted for in accordance with the Group's accounting policy for goodwill arising on such acquisitions.

Unrealised profits and losses are eliminated to the extent of the Group's interest in the joint venture. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no impairment.

The investment in joint ventures has been accounted at cost in the subsidiary's separate financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Impairment of tangible assets

The Group reviews the carrying amounts of its tangible assets as at each reporting date to assess for any indication of impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount of an asset or cash-generating unit is the higher of its fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss for the amount by which the asset's carrying amount exceeds the recoverable amount is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

2.14 Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

<u>Effective interest method</u>

The effective interest method is a method of calculating the amortised cost of a financial instrument and allocating the interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or where appropriate, a shorter period, to the net carrying amount of the financial instrument. Income and expense are recognised on an effective interest basis for debt instruments other than those financial instruments at fair value through profit or loss.

<u>Financial assets</u>

All financial assets are recognised on a trade date - the date on which the Group commits to purchase or sell the asset. They are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets at fair value through profit or loss and loans and receivables. The classification depends on the nature and purpose for which these financial assets were acquired and is determined at the time of initial recognition.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Financial instruments (Continued)

Financial asset at fair value through profit or loss ("FVTPL")

A financial asset is classified as FVTPL if the financial asset is either held for trading or is designated as such upon initial recognition.

A financial asset is classified as held-for-trading if it has been acquired principally for the purpose of selling in the short term; or if it is part of an identified portfolio of financial instruments with a recent actual pattern of short-term profit-taking and which is managed by the Group; or if it is a derivative that is not designated and effective as a hedging instrument or a financial guarantee contract.

A financial asset which is not classified as held-for-trading may be designated as FVTPL upon initial recognition if the financial asset is managed as part of a group of financial instruments, with its performance being evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis.

Gains or losses arising from changes in the fair value are recognised in profit or loss. The net gain or loss incorporates any dividend or interest earned on the financial asset.

Loans and receivables

The Group's loans and receivables comprise trade and other receivables and cash and cash equivalents.

Such loans and receivables are non-derivatives with fixed or determinable payments that are not quoted in an active market. They are measured at amortised cost, using the effective interest method less impairment. Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than FVTPL, are assessed for indicators of impairment at the end of each financial year. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amounts of all financial assets are reduced by the impairment loss directly with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Financial instruments (Continued)

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds receivables.

Financial liabilities and equity instruments

Classification as debt or equity

Financial liabilities and equity instruments issued by Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument are as follows:

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

When shares recognised as equity are reacquired, the amount of consideration paid is recognised directly in equity. Reacquired shares are classified as treasury shares and presented as a deduction from total equity. No gain or loss is recognised in profit or loss on the purchase, sale issue or cancellation of treasury shares.

When treasury shares are subsequently cancelled, the cost of treasury shares are deducted against the share capital account if the shares are purchased out of capital of the Company, or against the retained earnings of the Company if the shares are purchased out of earnings of the Company.

When treasury shares are subsequently sold or reissued pursuant to the employee share option scheme, the cost of treasury shares is reversed from the treasury share account and the realised gain or loss on sale or reissue, net of any directly attributable incremental transaction costs and related income tax, is recognised in the capital reserve of the Company.

Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

Financial liabilities are classified as at fair value through profit or loss if the financial liability is either held for trading or it is designated as such upon initial recognition.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Other financial liabilities

Trade and other payables

Trade and other payables are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, where applicable, using the effective interest method, with interest expense recognised on an effective yield basis.

Borrowings

Interest-bearing bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs.

Financial guarantee contracts

The Company has issued corporate guarantees to banks for bank borrowings of its subsidiaries. These guarantees are financial guarantee contracts as they require the Company to reimburse the banks if the subsidiaries fail to make principal or interest payments when due in accordance with the terms of their borrowings.

Financial guarantee contract liabilities are measured initially at their fair values plus transaction costs and subsequently at the higher of the amount of obligation under the contract recognised as a provision in accordance with FRS 37 and the amount initially recognised less cumulative amortisation in accordance with FRS 18.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

2.15 Inventories

Inventories are valued at the lower of cost and net realisable value. Raw materials comprise purchase cost accounted for on a weighted average basis.

Where necessary, allowance is provided for damaged, obsolete and slow moving items to adjust the carrying value of inventories to the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to be incurred for selling and distribution.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Construction contract work-in-progress

When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs associated with the construction contract are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the financial year (the percentage of completion method).

The outcome of a construction contract can be estimated reliably when: (i) total contract revenue can be measured reliably; (ii) it is probable that the economic benefits associated with the contract will flow to the entity; (iii) the costs to complete the contract and the stage of completion can be measured reliably; and (iv) the contract costs attributable to the contract can be clearly identified and measured reliably so that actual contract costs incurred can be compared with prior estimates.

When the outcome of a contract cannot be estimated reliably (principally during early stages of a contract), contract revenue is recognised only to the extent of contract costs incurred that is probable to be recoverable and contract costs are recognised as an expense in the period in which they are incurred. An expected loss on the construction contract should be recognised as an expense immediately when it is probable that total contract costs will exceed total contract revenue.

Contract revenue comprises the initial amount of revenue agreed in the contract and any variations in the contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and they can be measured reliably. A variation or a claim is recognised as contract revenue when is probable that the customer will approve the variation or negotiations have reached an advanced stage such that it is probable that the customer will accept the claim.

The stage of completion of ship building is recognised by reference to the survey of work performed at the financial year end and the stage of completion of tug and barges is measured by reference to the contract costs incurred to date to the estimated total costs for the contract (as defined below under revenue recognition policy). Contract costs include costs that relate directly to the specific contract and costs that are attributable to contract activity in general and can be allocated to the contract. Costs that relate directly to a specific contract comprise: site labour costs (including site supervision); costs of materials used in construction; depreciation of equipment used on the contract; costs of design, and technical assistance that is directly related to the contract. Contract costs incurred during the financial year in connection with future activity on a contract are excluded from the costs incurred to date when determining the stage of completion of a contract. Such costs are shown as construction contract work-in-progress on the statement of financial position unless it is not probable that such contract costs are recoverable from the customers, in which case, such costs are recognised as an expense immediately.

The aggregate of costs incurred and the profit/loss recognised on each contract is compared against the progress billings up to the financial year end. Where costs incurred and recognised profit (less recognised losses) exceed progress billings, the balance is shown as amount due from customers for contract work. Where progress billings exceeds costs incurred and recognised profit (less recognised losses), the excess is shown as amount due to customers for contract work.

2.17 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits with financial institution and short-term, highly liquid investments readily convertible to known amounts of cash and subjected to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group’s cash management.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Leases

a) **Lessee**

<u>**Finance leases**</u>

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the leased assets to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is recognised as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless they are directly attributable to the acquisition, construction of production of qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see the accounting policy for borrowing costs).

<u>**Operating leases**</u>

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

b) **Lessor**

<u>**Operating leases**</u>

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which user benefit derived from the leased asset is diminished. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

2.19 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event where, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the financial year, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows, which is discounted using a pre-tax discount rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Provisions (Continued)

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Changes in the estimated timing or amount of the expenditure or discount rate are recognised in profit or loss as they arise.

2.20 Contingencies

A contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

(b) a present obligation that arises from past events but is not recognised because:

  (i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

  (ii) the amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingencies are not recognised on the statement of financial position of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair value can be reliably determined.

2.21 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenue and expenses that relate to transactions with any of the Group's other components. Operating segments are reported in a manner consistent with the internal reporting provided to the executive committee whose members are responsible for allocating resources and assessing performance of the operating segments.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The Group made judgements, estimates and assumptions about the carrying amounts of assets and liabilities that were not readily apparent from other sources in the application of the Group's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors that are considered to be reasonable under the circumstances. Actual results may differ from the estimates.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

3.1 Critical judgements made in applying the Group's accounting policies

Determination of control of joint arrangements

The Group and the Company carry on parts of its business activities through joint ventures. In those circumstances, the Group and the Company have the ability to affect the significant financial and operating policies of the investees through the presence of joint control. The definition of joint control is defined in 2.12. The determination of the level of influence the Group and Company have over a business is often a mix of contractually defined and subjective factors that can be critical to the appropriate accounting treatment of investees in the Group's and the Company's financial statements. The management exercises significant judgement in analysing and evaluating relevant, subjective, diverse and sometimes contrasting qualitative and quantitative facts and circumstances surrounding its involvement in the investees, in determining whether the Group and the Company have joint control over the investees.

The Group and the Company have considered factors, including but not limited to, the size of its holding of voting rights relative to the size and dispersion of holdings of the other vote holders, its representation at the shareholders' and directors' meetings, the voting patterns, the composition of key management personnel which included the appointing, remunerating and terminating of key management personnel or service providers of the operations, contractual arrangements and etc. There are instances, elements are present that, considered in isolation, indicate control or lack of control over an investee, but when considered together make it difficult to reach a clear conclusion. In certain circumstances, despite the lack of the required technical equity ownership, there could exist a parent-subsidiary relationship or a joint-investor relationship between the Group and the Company with these investees. Such evaluation and assessment processes do take into consideration to account for transactions and events in accordance with their substance and economic reality, and not merely their legal forms.

Following the assessment, the Group assessed that it has joint control over the entities under Note 13 and classified these investee entities as investments in joint ventures.

Differing conclusions around these judgements, may materially impact how these entities are presented in the consolidated financial statements - under the full consolidation method, equity method or proportionate consolidation method.

3.2 Key sources of estimation uncertainty

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) *Impairment of investments in subsidiaries and joint ventures*

At the end of the financial year, an assessment is made on whether there are indicators that the Group's investments in subsidiaries and joint ventures are impaired. The Group's carrying amount of investment in joint ventures as at 30 September 2018 is approximately $11,490,000 (2017: $18,830,000). The Company's carrying amount of investments in subsidiaries as at 30 September 2018 is approximately $4,320,000 (2017: $4,320,000).

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

3.2 Key sources of estimation uncertainty (Continued)

(a) *Impairment of investments in subsidiaries and joint ventures (Continued)*

Investments in subsidiaries and joint ventures are tested for impairment whenever there is objective evidence that these assets may be impaired. An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The recoverable amounts of the cash-generating units have been determined based on the higher of fair value less cost to sell and value-in-use. The fair value less costs to sell is based on quoted market prices at the balance sheet date. The value-in-use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested.

In the previous financial year, the Group carried out a review of the recoverable amount of its investments in joint ventures. An impairment loss of $7,531,000, representing the write-down of the investments in joint ventures to the recoverable amount was included in "Other operating expenses" of the Group's profit or loss.

During the financial year, the Group has reassessed the recoverable amount of its investments in joint ventures. Consequently, the Group recognised a reversal of impairment loss of $779,000 within "other operating income" in the profit or loss as the amounts due from joint ventures are recovered.

(b) *Impairment of vessels*

The Group regularly evaluates the carrying amount of the vessels to determine if events have occurred that would require an adjustment to its carrying amount. The valuation of the vessels is reviewed based on events and changes in circumstances that would indicate that the carrying amount of the vessel might not be recovered. In assessing the recoverability of the vessel, the Group reviews certain indicators of potential impairment such as reported sale and purchase prices, market demand and general market conditions. If an indication of impairment is identified, the need for recognising an impairment loss is assessed by comparing the carrying amount of the vessel to the higher of the fair value less cost to sell and the value-in-use.

The Group carried out a review of the recoverable amount of its vessels based on the valuation report issued by independent professional valuers. The recoverable amount has been determined after considering the specification, capacities and capabilities of the vessels, expected remaining useful life of the vessels, the current market conditions in which the vessels operate and review of recent market sales of similar vessels. Key assumptions used in assessing recoverable amount include consideration of the condition of the vessels, the current reported market sales and known offers for comparative vessels.

The continued weakness in the market and industry has resulted in limited market information being currently available to assess the value of the discount used in the current reporting period. As result of this limited observable data, the fair value hierarchy is classified to Level 3.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

3.2 Key sources of estimation uncertainty (Continued)

(b) *Impairment of vessels (Continued)*

Consequently, an impairment loss of $Nil (2017: $136,128,000) and $Nil (2017: $38,750,000), representing the write-down of the vessels to the recoverable amount was included in "Other operating expenses" of the Group's profit or loss for the year ended 30 September 2018 (2017: 30 September 2017). The impairment charge has arisen from the ship chartering services segment. The recoverable amount of the vessels was based on its fair value less costs to sell. If the fair value less costs to sell decreases by 10% from the fair value based on valuation reports, the impairment charges will increase by $Nil (2017: $4,129,000).

The carrying amounts of the Group's vessels included in property, plant and equipment as at 30 September 2018 was $63,218,000 (2017: $53,551,000) (Note 11).

(c) *Dry docking component*

Dry docking costs incurred are amortised on a straight-line basis over the period to the next anticipated dry docking date. The Group determines the next anticipated dry docking date of the vessel by reviewing the condition of the vessel and taking into consideration the Group's historical experience with similar vessels and the relevant regulations governing such vessels. Any differences in the actual dry docking cost or changes to the next anticipated dry docking date could impact the amortisation and consequently affect the Group's results. The next anticipated dry docking date is reviewed at each financial year end. The carrying amounts of the Group's dry docking as at 30 September 2018 was $2,305,000 (2017: $2,691,000) (Note 11).

(d) *Income tax*

The Group is subject to income taxes in Singapore, Australia, Malaysia and Indonesia. Significant judgement is required in determining the provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

The Group's ship chartering operations were awarded the Approved International Shipping Enterprise ("AIS") status by the Maritime and Port Authority of Singapore subject to certain terms and conditions, which will exempt qualifying shipping income of certain subsidiaries of the Group from tax with effect from 1 April 2010 (Year of Assessment 2011). The tax computation of those subsidiaries has applied this tax exemption in the computation of the corporate income tax, as disclosed in Note 9.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

3.2 Key sources of estimation uncertainty (Continued)

(e) Construction contracts

The Group recognises contract revenue by reference to the survey of work performed and stage of completion of the contract activity at the financial year end, when the outcome of a construction contract can be estimated reliably. The stage of completion of ship building on tug and barges is measured by reference to contract costs incurred to date to the estimated total costs; and the stage of completion of ship building on offshore vessels is measured by reference to the survey of work performed as at financial year end. Significant assumptions made during the survey of work done and used in estimation of the budgeted contract costs and the recoverable variation works that will affect the stage of completion and the contract revenue respectively. In making these estimates, management relied on past experiences and the work specialists. The Group assesses the construction-in-progress with no indication of foreseeable losses. The carrying amounts of assets and liabilities arising from construction contracts at the financial year end are disclosed in Note 15 to the financial statements.

(f) Impairment of loan and receivables

Management reviews its loans and receivables for objective evidence of impairment at least yearly. Significant financial difficulties of the debtor, the probability that the debtor will enter bankruptcy, and default or significant delay in payments are considered objective evidence that a receivable is impaired. In determining this, management makes judgement as to whether there is observable data indicating that there has been a significant change in the payment ability of the debtor, or whether there have been significant changes with adverse effect in the technological, market, economic or legal environment in which the debtor operates in.

Where there is objective evidence of impairment, management makes judgements as to whether an impairment loss should be recorded as an expense. In determining this, management uses estimates based on historical loss experience for assets with similar credit risk characteristics. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between the estimated loss and actual loss experience. As at 30 September 2018, the cumulative allowances for impairment loss were approximately $18,028,000 (2017: $16,925,000) (Note 16).

4. REVENUE

	Group	
	2018	**2017**
	$'000	**$'000**
Ship chartering services	11,462	16,572
Ship building	8,615	13,080
Ship repair services	6,480	8,986
	26,557	38,638

5. OTHER OPERATING INCOME

	Group	
	2018	2017
	$'000	$'000
Waiver of debts	179,878	–
Foreign exchange gain	2,093	–
Gain on disposal of property, plant and equipment, net	665	–
Government grant income	85	–
Insurance claim income	–	620
Interest income on bank balances and fixed deposits	126	12
Reversal of impairment loss on investments in joint ventures	779	–
Sales of scrap metals	123	130
Sundry income	945	279
	184,694	1,041

6. PERSONNEL EXPENSES

	Group	
	2018	2017
	$'000	$'000
Wages, salaries and bonuses	4,209	3,857
Contributions to defined contribution plan	354	313
Directors' fee of the Company	213	180
Directors' remuneration		
– directors of the Company	1,189	1,034
Other staff costs	9	16
Share-based payment expense	83	112
	6,057	5,512

Personnel expenses include the amounts shown as directors' remuneration in Note 29 to the financial statements.

Employee share option scheme 2012

At an Extraordinary General Meeting held on 9 July 2012, the shareholders of the Company approved the adoption of three incentive schemes meant for the staff and certain directors of the Group. These three schemes are the Marco Polo Marine Ltd Restricted Share Scheme ("MPM RSS"), the Marco Polo Marine Ltd Performance Share Scheme ("MPM PSS") and the Marco Polo Marine Ltd Employee Share Option Scheme ("MPM ESOS"). The MPM ESOS allows options to be granted to participants at a discount of up to 20% to the prevailing market share price of the Company.

6. PERSONNEL EXPENSES (CONTINUED)

On 24 April 2013, 4,910,000 non-transferrable share options were granted to directors, key management personnel and employees under the MPM ESOS, which are capable of being exercised into the same equivalent number of shares of the Company. The options will expire within 10 years from the date the ESOS were granted, on 23 April 2023.

The exercise price of the options is $0.415 per share, determined at the average of the closing prices of the Company's ordinary shares as quoted on the Singapore Exchange for five market days immediately preceding the date of the grant. The vesting of the options is conditional on the directors, key management personnel and employees remaining in service with the Group during the vesting period.

The options vest in various tranches over 4 years. 30% of the options granted shall be exercisable from the 1st anniversary of date of grant, 15% each of the options granted from 2nd and 3rd anniversary of date of grant and the final 40% of the options shall be exercisable from 4th anniversary of date of grant onwards.

On 28 April 2015, 4,990,000 non-transferrable share options were granted to directors, key management personnel and employees under the MPM ESOS, which are capable of being exercised into the same equivalent number of shares of the Company. The options will be expired within 10 years from the date the ESOS were granted, on 27 April 2025.

The exercise price of the options is $0.275 per share, determined at the average of the closing prices of the Company's ordinary shares as quoted on the Singapore Exchange for five market days immediately preceding the date of the grant. The vesting of the options is conditional on the directors, key management personnel and employees remain in service with the Group during the vesting period.

The options vest in various tranches over 4 years. 30% of the options granted shall be exercisable from the 1st anniversary of date of grant, 15% each of the options granted from 2nd and 3rd anniversary of date of grant and the final 40% of the options shall be exercisable from 4th anniversary of date of grant onwards.

Movements in the number of option and their weighted average exercise price are as follows:

	2018		2017	
	No.	Weighted average exercise prices	No.	Weighted average exercise prices
		$		$
Outstanding at 1 October	7,710,000	0.345	8,080,000	0.345
– forfeited	(120,000)	–	(370,000)	–
Outstanding at 30 September	7,590,000	0.345	7,710,000	0.345
Exercisable at 30 September	5,926,000	0.345	5,356,000	0.345

There has been no modification or cancellation of options granted during the financial year.

6. PERSONNEL EXPENSES (CONTINUED)

Fair value of share options granted

The fair value of the share options granted was estimated at the date of grant using a binominal model – Hull-White Enhanced, taking into account the terms and conditions upon which the share options were granted.

The following table lists the inputs and the options model:

	2013 Option	2015 Option
Share price at grant date	$0.415	$0.275
Expected volatility	42.843%	26.334%
Risk-free interest rate (per annum)	1.5489%	2.128%
Vesting period	1 to 4 years	1 to 4 years
Exit rate	5% to 52%	0% to 16%
Exercise multiple	1.5	1.5

The expected volatility reflects the assumption that the historical volatility of the Company's share price, which may not necessarily be the actual outcome. The employee exit rate is based on historical data and is not necessarily indicative of patterns that may occur. The exercise multiple reflects the grantees' early exercise behaviour, which assumes that early exercise happens when the stock price is a certain multiple of the exercise price.

7. FINANCE COSTS

	Group	
	2018	2017
	$'000	$'000
Interest expenses on:		
– term loans	2,432	6,839
– bank overdraft	19	84
– finance lease obligations	8	9
– medium-term notes	382	3,289
	2,841	10,221

8. PROFIT/(LOSS) BEFORE INCOME TAX

The following charges/(credits) were included in the determination of profit/(loss) before income tax:

	Group	
	2018	2017
	$'000	$'000
Allowance for doubtful trade receivables	1,931	16,876
Allowance for doubtful trade receivables written back	(781)	–
Bad debts written off	102	416
Deposits written off	3	2,289
Depreciation of property, plant and equipment	7,298	16,508
Directors' fee of the Company	213	180
Fair value gain on derivative financial instruments	–	(251)
Foreign exchange loss	–	209
Impairment loss on property, plant and equipment	–	136,128
Impairment loss on investment in joint ventures	–	7,531
Inventories written down	–	38,750
Inventories written off	2	–
Legal and professional fee	801	4,055
Medium term note expenses	–	883
Operating lease expenses	240	239
Personnel expenses	6,057	5,512
Property, plant and equipment written off	1	–
Provision for compensation expenses	497	2,845
Recoverable cost expensed off	–	34,264
Remuneration paid to auditors of the Company:		
– Audit fees	134	169
– Non-audit fees	15	8

9. INCOME TAX (CREDIT)/EXPENSE

	Group	
	2018	2017
	$'000	$'000
Current income tax		
– current financial year	7	582
– under/(over) provision in prior financial years	8	(104)
	15	478
Deferred income tax (Note 25)		
– current financial year	–	40
– over provision in prior financial years	(955)	(120)
	(955)	(80)
Income tax (credit)/expense	(940)	398

Reconciliation of effective tax rate is as follows:

	Group	
	2018	2017
	$'000	$'000
Profit/(Loss) before income tax	168,038	(312,292)
Tax at the statutory tax rate of 17%	28,566	(53,089)
Different tax rates in other countries	(1,865)	(518)
Tax exemption	(1,699)	(780)
Expenses not deductible for tax purposes	15,668	45,562
Income not subject to tax	(42,840)	(47)
Deferred tax assets not recognised	1,257	779
Over provision in respect of prior years	(947)	(224)
Share of loss in joint ventures	920	8,715
	(940)	398

The Group's ship chartering operations were awarded the Approved International Shipping Enterprise ("AIS") status by the Maritime and Port Authority of Singapore. Pursuant to the AIS status, certain subsidiaries of the Group will enjoy tax exemption with effect from 1 April 2010 (Year of Assessment 2011) on qualifying shipping income and gain on disposal of vessels, including incomes derived from foreign-flagged ships which were taxed previously.

9. INCOME TAX (CREDIT)/EXPENSE (CONTINUED)

Deferred tax assets not recognised

The following deferred tax assets are not recognised in the statements of financial position as it is presently uncertain with respect to the extent of timing and quantum of future taxable profit that will be available against which the Group can utilise the benefits as follows:

	Group	
	2018	2017
	$'000	$'000
Unabsorbed tax losses	2,234	100
Accelerated tax depreciation	86,216	80,958
	88,450	81,058

Tax losses do not expire under current legislation and are available for set-off against future taxable profits subject to meeting certain statutory requirements by those companies with unrecognised tax losses in their respective country of incorporation. No deferred tax asset has been recognised due to the unpredictability of future profits streams of certain subsidiaries. These losses may be carried indefinitely subject to the conditions imposed by law.

10. EARNINGS/(LOSS) PER SHARE

The calculations of earnings/(loss) per share are based on the profit/(loss) and numbers of shares shown below.

	Basic		Diluted	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Profit/(Loss) for the financial year attributable to the equity holders of the Company	168,978	(312,690)	168,978	(312,690)

Weighted average number of shares

	Number of shares	
	2018	2017
For basic earnings/(loss) per share	2,508,427,286	336,548,600
For diluted earnings/(loss) per share	2,508,427,286	336,548,600

Basic earnings/(loss) per share are calculated by dividing profit/(loss) for the financial year attributable to the equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings/(loss) per share amounts are calculated by dividing profit/(loss) for the financial year from continuing operations, net of tax, attributable to owners of the parent by the weighted average number of ordinary shares outstanding during the financial period plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

There is no dilutive effect arising from share option for current financial year as the exercise price of the share options was higher than the Company's average share price during the current financial year.

11. PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold land $'000	Office equipment, furniture & fittings $'000	Renovation $'000	Vessels $'000	Dry dock $'000	Machinery and equipment $'000	Leasehold improvements $'000	Motor vehicles $'000	Total $'000
Cost									
Balance at 1.10.2016	6,311	880	356	233,727	4,504	11,696	32,323	1,075	290,872
Additions	–	9	–	–	–	–	–	–	9
Disposal	–	(38)	(63)	–	–	–	–	(27)	(128)
Transfer to dry dock	–	–	–	(950)	950	–	–	–	–
Reclassification	–	–	–	(7,406)	–	–	–	–	(7,406)
Currency realignment	–	–	–	(505)	(5)	–	39	–	(471)
Balance at 30.09.2017	6,311	851	293	224,866	5,449	11,696	32,362	1,048	282,876
Additions	–	8	–	1,121	202	–	2	205	1,538
Disposal	–	–	–	(6,259)	(310)	–	–	(217)	(6,786)
Written off	–	(48)	–	–	–	–	–	–	(48)
Transfer from inventories	–	–	–	12,882	601	–	–	–	13,483
Currency realignment	–	(1)	–	995	14	–	–	–	1,008
Balance at 30.09.2018	6,311	810	293	233,605	5,956	11,696	32,364	1,036	292,071
Accumulated depreciation and accumulated impairment loss									
Balance at 1.10.2016	2,756	813	259	25,651	1,678	9,715	11,375	447	52,694
Depreciation charge for the financial year	277	33	59	12,595	1,111	648	1,702	83	16,508
Impairment loss	–	–	–	136,128	–	–	–	–	136,128
Disposal	–	(38)	(63)	–	–	–	–	(27)	(128)
Reclassification	–	–	–	21	(21)	–	–	–	–
Currency realignment	–	(1)	–	(3,080)	(10)	–	–	–	(3,091)
Balance at 30.09.2017	3,033	807	255	171,315	2,758	10,363	13,077	503	202,111
Depreciation charge for the financial year	277	8	39	3,622	1,118	452	1,685	97	7,298
Impairment loss	–	–	–	–	–	–	–	–	–
Disposal	–	–	–	(5,388)	(238)	–	–	(126)	(5,752)
Written off	–	(47)	–	–	–	–	–	–	(47)
Currency realignment	–	–	(1)	838	13	–	–	–	850
Balance at 30.09.2018	3,310	768	293	170,387	3,651	10,815	14,762	474	204,460
Net carrying amount									
As at 30.09.2018	3,001	42	–	63,218	2,305	881	17,602	562	87,611
As at 30.09.2017	3,278	44	38	53,551	2,691	1,333	19,285	545	80,765

11. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Property, plant and equipment with net carrying amount of approximately $Nil (2017: $68,652,000) are pledged as security for term loans (Note 24).

Motor vehicles with net carrying amount of approximately $560,000 (2017: $332,000) were acquired under finance leases.

During the financial year, the Group acquired property, plant and equipment with an aggregate cost of $1,538,000 (2017: $9,000) of which $119,000 (2017: $Nil) were acquired by means of finance leases. Cash payments of $1,419,000 (2017: $9,000) were made to purchase property, plant and equipment.

The depreciation expenses amounting to approximately $4,443,000 (2017: $7,043,000) and $2,855,000 (2017: $9,465,000) have been recognised in the cost of sales and other operating expenses respectively.

12. INVESTMENTS IN SUBSIDIARIES

	Company	
	2018 $'000	2017 $'000
Unquoted equity shares, at cost	4,320	4,320

Details of the subsidiaries are as follows:

Name of companies	Principal activities	Place of incorporation/ Place of business	Effective interest held by the Group	
			2018 %	2017 %
Held by the Company				
Marco Polo Shipping Co. Pte Ltd (1)	Ship chartering	Singapore	100	100
Marco Polo Shipyard Pte Ltd (1)	Provision of contract services and trading activities	Singapore	100	100
MP Marine Pte. Ltd. (1)	Investment holding	Singapore	100	100
MP Ventures Pte. Ltd. (1)	Investment holding	Singapore	100	100
Marco Polo Drilling Pte. Ltd. (4)	Investment holding	Singapore	–	100
Held by subsidiaries:				
PT. Marcopolo Shipyard (2)	Shipbuilding and ship repair	Indonesia	100	100
MP Shipping Pte. Ltd. (1)	Ship chartering	Singapore	100	100
Marcopolo Shipping (Hong Kong) Limited (3)	Investment holding	Hong Kong	100	100
Marco Polo Offshore Pte Ltd (1)	Ship chartering, leasing and management	Singapore	100	100
MP Offshore Pte Ltd (1)	Ship chartering and management	Singapore	100	100
Marco Polo Offshore (II) Pte Ltd (1)	Ship chartering	Singapore	100	100

12. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Details of the subsidiaries are as follows: (Continued)

Name of companies	Principal activities	Place of incorporation/ Place of business	Effective interest held by the Group	
			2018	2017
			%	%
Marco Polo Offshore (III) Pte Ltd [1]	Ship chartering	Singapore	100	100
Marco Polo Drilling (I) Pte Ltd [4]	Oil rig chartering	Singapore	–	100
PT Marco Polo Indonesia [3]	Management consultancy and marketing	Indonesia	100	100
Marco Polo Offshore (V) Pte Ltd [2]	Ship Chartering	Labuan, Malaysia	100	100
Marco Polo Offshore (VI) Pte Ltd [1]	Ship Chartering	Singapore	100	100
Marco Polo Offshore (VII) Pte Ltd [1]	Ship Chartering	Singapore	100	100

(1) Audited by Mazars LLP, Singapore.
(2) Audited by Mazars LLP, Singapore for the purpose of expressing an opinion on the consolidated financial statements.
(3) Reviewed by Mazars LLP, Singapore for the purpose of expressing an opinion on the consolidated financial statements.
(4) The subsidiaries are in the midst of winding-up and liquidation.

13. INVESTMENTS IN JOINT VENTURES

	Group		Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Investments in joint ventures	56,376	56,377	1,090	1,090
Share of post-acquisition losses	(54,930)	(49,520)	–	–
Share of translation reserves	(41)	387	–	–
Share of other comprehensive income	115	194	–	–
Due from joint ventures [1]	16,722	18,923	7,609	7,609
	18,242	26,361	8,699	8,699
Impairment losses	(6,752)	(7,531)	(4,734)	(4,734)
	11,490	18,830	3,965	3,965

The investments in joint ventures are accounted for using the equity method. The investment is initially recognised at cost and adjusted thereafter to include the Group's share of post-acquisition distributable and non-distributable reserves of the joint ventures after eliminating unrealised profit of the transactions between the Group and the joint ventures to the extent of the Group's interest in the joint ventures.

13. INVESTMENTS IN JOINT VENTURES (CONTINUED)

Details of the joint ventures are as follows:

Name of companies	Principal activities	Place of incorporation/ Place of business	Proportion of ownership interest held by the Group	
			2018	2017
			%	%
MPST Marine Pte. Ltd. ("MPST") [(2)]	Ship chartering services	Singapore	50	50
Rig Tenders Offshore Pte Ltd [(3)]	Ship chartering services	Singapore	30	30
MPMT Pte Ltd [(2)] ("MPMT")	Investment holding	Singapore	50	50
Marco Polo Offshore (IV) Pte Ltd [(3)] ("MPO (IV)")	Ship chartering services	Labuan, Malaysia	50	50
PT Pelayaran Nasional Bina Buana Raya Tbk ("BBR") [(3)]	Ship chartering services	Indonesia	34.8	34.8
Held by joint ventures				
Alpine Marine Limited [(4)]	Ship chartering services	British Virgin Island	–	50
BBR Shipping Pte Ltd [(2)]	Management consultancy, marketing, and ship chartering services	Singapore	34.8	34.8
MPMT 1 Tankers Pte Ltd [(2)]	Ship chartering services	Singapore	50	50
SK Marco Polo Sdn Bhd [(5)]	Ship chartering services	Malaysia	50	50

(1) These non-trade balances are unsecured, interest-free and are not expected to be repaid within the next 12 months and are in substance, a part of the Group's net investments in the joint ventures.

(2) Audited by Mazars LLP, Singapore.

(3) Reviewed by Mazars LLP, Singapore for the purpose of expressing an opinion on the consolidated financial statements.

(4) The winding-up and liquidation of the company had been completed on 16 January 2018.

(5) Audited by HLB Ler Lum, Malaysia.

The Group jointly controls the ventures with another partner under the contractual agreement and requires unanimous consent for all significant decisions over the relevant activities.

13. INVESTMENTS IN JOINT VENTURES (CONTINUED)

Summarised financial information of the Group's material joint ventures (based on their *FRS financial statements*).

2018	MPST	Rig Tender Offshore	MPMT	MPO (IV)	BBR	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Assets and liabilities						
Non-current assets	1,572	–	16,310	8,151	112,287	
Current assets	485	2,964	575	3,992	10,152	
Current liabilities	(1,579)	(1,221)	(8,737)	(33,302)	(41,117)	
Non-current liabilities	(12,151)	(7,762)	(3,877)	–	(46,243)	
Net (liabilities)/assets	(11,673)	(6,019)	4,271	(21,159)	35,079	
Group's share of joint venture's net (liabilities)/assets	(5,836)	(1,805)	2,135	(10,580)	12,207	
Amounts owing by joint ventures	6,861	1,686	2,875	5,300	–	
Joint ventures losses in excess of equity interest	–	119	–	5,280	–	
Less: impairment loss	(63)	–	–	–	(6,689)	
At 30 September	962	–	5,010	–	5,518	11,490
Cash and cash equivalents	193	15	102	180	4,902	
Current financial liabilities	–	(1,202)	(7,414)	(32,018)	(30,959)	
Non-current financial liabilities	(12,151)	(7,762)	(3,877)	–	(46,243)	
Results						
Revenue	–	–	3,618	5,287	28,034	
Expenses, including the following:	(2,479)	(398)	(3,601)	(3,845)	(37,989)	
Depreciation	–	(305)	(1,144)	(336)	(8,534)	
Impairment on vessels	–	(7,878)	–	–	–	
Interest expense	–	–	(19)	(1,021)	(2,563)	
(Loss)/Profit before income tax	(2,479)	(398)	17	1,442	(9,955)	
Income tax credit/ (expenses)	–	–	8	(15)	(368)	
(Loss)/Profit for the financial year, representing total comprehensive (loss)/income	(2,479)	(398)	25	1,427	(10,323)	
Group's share of joint ventures total comprehensive (loss)/income for the year	(1,240)	(119)	13	714	(3,592)	
Joint ventures losses in excess of equity interest	–	119	–	5,280	–	
Group's share of results of joint ventures	(1,240)	–	13	(591)	(3,592)	(5,410)

13. INVESTMENTS IN JOINT VENTURES (CONTINUED)

Summarised financial information of the Group's material joint ventures (based on their *FRS financial statements*). (Continued)

2017	MPST	Rig Tender Offshore	MPMT	MPO (IV)	BBR	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Assets and liabilities						
Non-current assets	8,849	2,403	17,603	8,552	126,047	
Current assets	1,104	1,391	1,056	3,517	7,926	
Current liabilities	(7)	(854)	(8,573)	(34,523)	(58,999)	
Non-current liabilities	(18,737)	(7,890)	(5,841)	–	(29,460)	
Net (liabilities)/assets	(8,791)	(4,950)	4,245	(22,454)	45,514	
Group's share of joint venture's net (liabilities)/assets	(4,396)	(1,484)	2,122	(11,227)	15,839	
Amount owing by joint ventures	9,079	2,313	2,875	4,656	–	
Joint ventures losses in excess of equity interest	–	–	-	6,585	–	
Less: impairment loss	–	(829)	–	(14)	(6,689)	
At 30 September	4,683	–	4,997	–	9,150	18,830
Cash and cash equivalents	814	3	637	20	2,758	
Current financial liabilities	–	(820)	(7,114)	(32,171)	(50,015)	
Non-current financial liabilities	(18,737)	(7,890)	(5,841)	–	(29,078)	
Results						
Revenue	2,801	–	3,458	5,921	37,191	
Expenses, including the following:	(39,002)	(12,404)	(3,405)	(42,438)	(88,611)	
Depreciation	–	(705)	(1,137)	(2,229)	(23,671)	
Impairment on receivables	(40,668)	–	–	(7,228)	–	
Impairment on vessels	–	(11,310)	–	(29,122)	(23,670)	
Interest expense	–	–	(23)	(625)	(2,420)	
(Loss)/profit before income tax	(36,201)	(12,404)	53	(36,517)	(51,420)	
Income tax expenses	841	–	–	4	(944)	
(Loss)/profit for the financial year, representing total comprehensive income/(loss)	(35,360)	(12,404)	53	(36,513)	(52,364)	
Group's share of joint ventures total comprehensive income for the year	(17,680)	(3,721)	27	(18,257)	(18,223)	
Joint ventures losses in excess of equity interest	–	–	–	6,585	–	
Group's share of results of joint ventures	(17,680)	(3,721)	27	(11,672)	(18,223)	(51,269)

13. INVESTMENTS IN JOINT VENTURES (CONTINUED)

The Group had not recognised losses relating to joint ventures where its share of losses exceeds the Group's interest in the joint ventures. The interest in joint ventures is the carrying amount of the investment in the joint ventures determined using the equity method together with the long-term interests that, in substance, form part of the entity's net investment in joint ventures. The Group's cumulative share of unrecognised losses at the end of the current financial year was $5,399,000 (2017: $6,585,000). The Group has no obligation in respect of those losses.

Impairment testing for investment in joint ventures

Due to the current market downturn of global marine and offshore industry, the Group carried out a review of the recoverable amount. Impairment occurs wherever the recoverable amount is lower than the carrying amount of the investment in joint ventures. The Group determined its recoverable amount based on fair value less cost to sell.

During the financial year, the recoverable amount of the Group's interest in BBR is determined based on its fair value less cost to sell. As at 30 September 2018, the fair value of the Group's interest in BBR is based on quoted market prices listed on Indonesia Stock Exchange at the balance sheet date amounting to $9,440,000 (2017: $9,150,000). The fair value measurement is categorised in Level 1 of the fair value hierarchy. There is no further impairment loss on the investment for the current financial year.

In the previous financial year, the Group carried out a review of recoverable amount of its investments in joint ventures. An impairment loss of $7,531,000, representing the write-down of the investments in joint ventures to the recoverable amount was included in "Other operating expenses" of the Group's profit or loss.

During the financial year, the Group has reassessed the recoverable amount of its investments in joint ventures. Consequently, the Group recognised a reversal of impairment loss of $779,000 within "other operating income" in the profit or loss as the amounts due from joint ventures are recovered.

14. INVENTORIES

	Group	
	2018	2017
	$'000	$'000
Raw materials	938	1,356
Work-in-progress vessels	8,056	52,561
Less: Inventories written down	(7,568)	(38,837)
	1,426	15,080

Raw materials mainly consist of steel plates and equipment which are used in the Group's shipbuilding activities.

The cost of inventories recognised as expenses and included in "cost of sales" amounted to approximately $16,842,000 (2017: $21,723,000). The inventories of the Group amounted to $2,000 (2017: $Nil) was written off in the current financial year.

In the previous financial year, the Group reviewed the net realisable value of 2 vessels, of which classified in work-in-progress. The carrying amount of these vessels were compared against the latest transacted or indicative selling prices of similar vessels based on the value determined by an independent professional valuer. Accordingly, the Group recorded write down of $38,750,000 to other operating expenses.

14. INVENTORIES (CONTINUED)

During the financial year, the Group has transferred the 2 vessels at their carrying amounts of $12,882,000 to its property, plant and equipment (Note 11). No gain or loss was recognised by the Group as the transfers were done at their carrying amounts.

15. GROSS AMOUNTS DUE (TO)/FROM CUSTOMERS FOR CONSTRUCTION CONTRACTS

	Group	
	2018	2017
	$'000	$'000
Aggregate amount of costs incurred and recognised profits to date	45	22,986
Less: Progress billings	(50)	(19,971)
	(5)	3,015
Presented as:		
Due (to)/from customers for construction contracts	(5)	3,015

16. TRADE RECEIVABLES

	Group		Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Third parties	17,098	16,091	–	–
Amounts due from joint ventures	4,926	5,364	–	–
Allowance for impairment of trade receivables	(18,028)	(16,925)	–	–
Total trade receivables	3,996	4,530	–	–
Add: Other receivables, deposits and prepayments (Note 17)	2,288	3,196	129	52
Add: Amounts due from subsidiaries (non-trade) (Note 18)	–	–	121,716	96,836
Add: Cash and bank balances (Note 19)	17,947	4,781	13,145	6
Less: Prepayments	(506)	(854)	(74)	(48)
Less: Deferred costs	(162)	(49)	–	(3)
Total loans and receivables at amortised cost	23,563	11,604	134,916	96,843

17. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Other receivables	864	129	54	1
Other deposits	192	1,265	–	–
Prepayments	506	854	74	48
Accrued revenue	385	99	–	–
Deferred costs	162	49	–	3
Recoverable cost	179	800	1	–
	2,288	3,196	129	52

18. AMOUNTS DUE FROM SUBSIDIARIES (NON-TRADE)

These balances are unsecured, interest-free and repayable on demand and denominated in Singapore dollar.

19. CASH AND CASH EQUIVALENTS

	Group		Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Cash and bank balances	5,844	4,781	1,042	6
Fixed deposits placed with banks	12,103	–	12,103	–
	17,947	4,781	13,145	6
Less: Bank overdraft	–	(2,000)	–	–
Less: Pledged fixed deposits and bank balances	–	(1,131)	–	–
Cash and cash equivalents as stated in the statement of cash flows	17,947	1,650	13,145	6

In the previous financial year, bank overdraft was denominated in Singapore dollars, bore effective interest rates at 4.25% per annum and was secured by mortgage over the land and building at the Batam shipyard.

In the previous financial year, bank balances of $1,131,000 were pledged for bank overdraft facilities with banks. The pledged bank balances were not freely remissible for use by the Company because of default in payment for a UOB money market loan, which the funds were deposited for trading activities as required by the bank facility.

Fixed deposits of the Group and of the Company bear interest rates ranging from 0.95% to 2.40% per annum with average maturity period ranging from 1 to 3 months at the end of the financial year.

20. TRADE PAYABLES

	Group		Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Non-current				
Third parties	1,624	–	–	–
Current				
Third parties	4,425	10,291	–	–
Amounts due to joint ventures	85	–	–	–
	4,510	10,291	–	–
Total trade payables	6,134	10,291	–	–
Add: Bank overdraft (Note 19)	–	2,000	–	–
Add: Other payables and accruals (Note 21)	4,130	22,066	1,378	10,412
Add: Borrowings (Note 22)	154	245,872	–	50,000
Less: Deposits received from customer (Note 21)	(83)	(1,241)	–	–
Less: Deferred income (Note 21)	(390)	(221)	–	–
Financial liabilities at amortised cost	9,945	278,767	1,378	60,412

Trade payables to third parties are interest-free and are generally given a credit within 30 to 90 days (2017: 30 to 90 days). Amounts due to joint ventures are unsecured, interest-free and repayable on demand.

21. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Deposits received from customer	83	1,241	–	–
Accruals	3,064	15,537	1,059	6,618
Interest payable	–	3,209	–	3,209
Deferred income	390	221	–	–
Others	593	1,858	319	585
	4,130	22,066	1,378	10,412

Deferred income represents ship chartering revenue received in advance and is non-refundable.

22. BORROWINGS – INTEREST BEARING

	Group		Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Current liabilities				
Finance lease obligations (Note 23)	52	68	–	–
Term loans (Note 24)	–	245,769	–	50,000
	52	245,837	–	50,000
Non-current liabilities				
Finance lease obligations (Note 23)	102	35	–	–
	102	35	–	–
Total borrowings				
Finance lease obligations (Note 23)	154	103	–	–
Term loans (Note 24)	–	245,769	–	50,000
	154	245,872	–	50,000

23. FINANCE LEASE OBLIGATIONS

Group	Minimum lease payments	Interest	Present value of payments
	$'000	$'000	$'000
2018			
Within one year	58	(6)	52
More than one year but not later than five years	80	(13)	67
After five years	36	(1)	35
	174	(20)	154
2017			
Within one year	81	(13)	68
More than one year but not later than five years	58	(23)	35
	139	(36)	103

Interest is payable at effective rate of 3.9% to 5.8% (2017: 3.3% to 7.0%) per annum.

24. TERM LOANS

Bank loans - Secured	Group		Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Floating rate				
#1	–	190	–	–
#2	–	11,130	–	–
#3	–	15,120	–	–
#4	–	67,831	–	–
#5	–	3,200	–	–
#6	–	14,969	–	–
#7	–	19,966	–	–
#8	–	2,821	–	–
#9	–	12,725	–	–
#10	–	22,896	–	–
#11	–	19,921	–	–
	–	190,769	–	–
Fixed rate				
#12	–	50,000	–	50,000
#13	–	5,000	–	–
Total term loans	–	245,769	–	50,000

	Group		Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Amount repayable:				
Within one year	–	245,769	–	50,000
More than one year but not later than five years	–	–	–	–
	–	245,769	–	50,000

The floating rate loans bore effective interest at rates ranging from 2.63% to 3.75% per annum (2017: 2.39% to 5.43% per annum).

In the previous financial year, the Group breached the loan covenants as required by the bank. As a result, the Group's bank borrowing of $195,769,000 could be called for repayment at any time upon notification by financial institutions, and consequently a non-current portion of the borrowings amounting to $81,813,000 has been reclassified to current liabilities.

Following the completion of the debt restructuring exercise (Note 35), all term loans were fully settled by the issuance of new shares of the Company and cash amounting to $30,766,000 and $44,015,000 respectively. Consequently, a resultant waiver debt income and foreign exchange losses of $169,394,000 and $1,594,000 were recognised in the other operating income and expenses respectively.

24. TERM LOANS (CONTINUED)

Loan #1

The Group was granted a vessel loan amounting to $2.977 million from a bank to finance 70% of the purchase of four vessels. Interest charged is at the Bank's prevailing COF plus 2.30% per annum on monthly rest, is repayable over 48 monthly instalments and is secured by first legal mortgage over the vessels, assignment of insurance policies, charter contracts and earnings, and a corporate guarantee provided by the Company.

The subsidiary ("borrower") shall maintain the Adjusted Tangible Net Worth of not less than $18 million, and Adjusted Leverage ratio of not more than 2.0 times. Adjusted Tangible Net Worth is defined as book net worth minus Goodwill minus intangibles minus loans due from directors/shareholders/related companies (non-trade) plus loans due to directors/shareholders/related companies (non-trade). Adjusted Leverage is defined as (Total liabilities minus directors/shareholders/related companies' debts (non-trade)) divided by Adjusted Tangible Net Worth. The Group shall maintain a maximum loan to security ratio of 70% at all times.

Loan #2

The Group was granted a money market loan amounting to $11.13 million from a bank to finance the working capital of a subsidiary. Interest charged is 1.75% per annum over the bank's cost of fund or 1.75% per annum over the applicable SWAP offer rate, whichever is higher and shall have interest period of 1, 3 or 6 months as may be mutually agreed with the bank as called maturity date. The loan shall be repayable in full on maturity date unless it is rolled over for another interest period and is secured by first legal mortgage over the vessel, assignment of insurance policies, charter contracts and earnings and a corporate guarantee provided by the Company.

The Group shall maintain a Tangible Net Worth of at least $70 million and maximum Gearing ratio (defined as Total bank borrowing/ Total tangible net worth) of not more than 2 times, where the Tangible Net Worth is defined as the sum of paid-up capital, revenue reserves/accumulated profits/retained earnings and shareholders' fund.

Loan #3

The Group was granted a money market loan amounting to $15.12 million from a bank to finance the working capital of a subsidiary. Interest charged is 1.75% per annum over the bank's cost of fund or 1.75% per annum over the applicable SWAP offer rate, whichever is higher and shall have interest period of 1, 3 or 6 months as may be mutually agreed with the bank as called maturity date. The loan shall be repayable in full on maturity date unless it is rolled over for another interest period and is secured by first legal mortgage over the vessel, assignment of insurance policies, charter contracts and earnings and a corporate guarantee provided by the Company.

The Group shall maintain minimum Tangible Net Worth of $70 million at all times and Gearing ratio (Total bank borrowing/Total tangible net worth) of not more than 2 times at all times. The Tangible Net Worth is defined as the sum of paid-up capital, revenue reserves/accumulated profit/retained earnings and shareholders' funds.

Loan #4

The Group was granted a construction loan amounting to $68.4 million from a bank to finance three AHTS vessels which had drawdown approximately of $67.8 million. Interest charged is at 2% per annum above the bank's Swap offer rate, on monthly rest, is repayable on 31 December 2015 and is secured by assignment of shipbuilding contract and sales proceeds, assignment of builder's insurance, pledge over work-in-progress and equipment, project account maintained with bank and corporate guarantee by the Company.

24. TERM LOANS (CONTINUED)

Loan #4 (Continued)

The Group shall maintain a minimum Tangible Net Worth of $70 million at all times and Gearing ratio (Total bank borrowing/Total tangible net worth) of not more than 2 times at all times. Tangible Net Worth is defined as the sum of paid-up capital, revenue reserves/accumulated profit/retained earnings and shareholder's funds.

A revised banking facility from the bank was granted to convert the construction loan to revolving loan of the same amount. The loan is secured by the first legal mortgage over the vessels, assignment of the ship building contracts and sales proceeds, assignment of ship charter contracts and earnings, all existing securities and financial covenants remain unchanged.

Loan #5

The Group was granted money market loan amounting to $4.4 million from a bank for working capital requirements which had drawdown of $3.2 million. Interest charged is at 1.75% per annum over the bank's cost of funds, on monthly rest, is repayable on demand and is secured by first legal mortgage over the vessels, assignment of insurance policies, charter contract and earnings and corporate guarantee by the Company.

The Group shall maintain a minimum Tangible Net Worth of $70 million at all times and Gearing ratio (Total bank borrowing/Total tangible net worth) of not more than 2 times at all times. Tangible Net is defined as the sum of paid-up capital, revenue reserves and capital reserve.

Loan #6

The Group was granted vessel loan amounting to $19.875 million from a bank to finance 75% of the purchase price of one unit of 8,000 bhp AHTS which was fully drawdown. Interest charged is at 2.25% per annum over USD LIBOR on monthly rest, is repayable over 57 monthly instalments and is secured by first legal mortgage over the vessels, assignment of insurance policies and charter contracts and earnings, charge over the earnings account and Debt Service Reserve Account, and corporate guarantee by the Company.

The Group shall maintain a minimum Tangible Net Worth of $100 million at all times and the consolidated Adjusted Leverage ratio shall be less than 2 at all times.

Loan #7

The Group was granted a vessel loan amounting to US$19.5 million from a bank to finance 65% of the purchase price of one unit of maintenance work boat which was fully drawdown. Interest charged is at 2.8% per annum over USD LIBOR on monthly rest, is repayable over 60 monthly instalments and is secured by first legal mortgage over the vessels, assignment of insurance policies and charter contracts and earnings, charge over the earnings account and Debt Service Reserve Account, and corporate guarantee by the Company.

The Group shall maintain a minimum Tangible Net Worth of $100 million at all times and the consolidated Gearing ratio of not more than 2 at all times.

24. TERM LOANS (CONTINUED)

Loan #8

The Group was granted a vessel loan amounting to $3.6 million or 65% of the valuation, whichever is lower from a bank to refinance existing Term Loan granted against the mortgage vessel. It was fully drawn down and interest charged is at 2.25% per annum over 3 month SIBOR on monthly rest, is repayable over 48 monthly instalments and is secured by existing first legal mortgage over the vessel, assignment of insurance policies and charter contracts and earnings, and the existing corporate guarantee provided by the Company.

Loan #9

The Group was granted a vessel loan amounting to US$14.7million from a financial institution to finance 70% of the purchase price of one 8,160 bhp AHTS which USD10.5 million was drawn down. Interest charged is at the Applicable Term margin per annum over 3-month USD LIBOR, is repayable over 28 quarterly instalments and is secured by first legal mortgage over the vessel, assignment of insurance policies and charter contracts and earnings, and corporate guarantee by the Company.

The Group shall maintain a minimum Tangible Net Worth of $100 million at all times, ratio of total debt to consolidated equity does not exceed 2.5 and ratio of total secured debt to consolidated total assets shall not at any time exceed 0.65:1.

Loan #10

The Group was granted a vessel loan amounting to US$18.4million from a financial institution to finance 80% of the purchase price of one 8,160 bhp AHTS which was fully drawn down. Interest charged is at 2.4% per annum over 1-month USD LIBOR on monthly rest, is repayable over 60 monthly instalments and is secured by first legal mortgage over the vessel, assignment of insurance policies and charter contracts and earnings, and corporate guarantee by the Company.

Loan #11

The Group was granted a revolving credit facility amounting to $20.02 million from a bank to finance the purchase of one 8,000 bhp AHTS which was fully drawn down. Interest charged is at 2.25% per annum above the 1 month SIBOR on monthly rest, is repayable 12 months after the 1st drawdown of the facilities. It is secured by first legal mortgage over the vessel, second legal mortgage over another 8,000 bhp AHTS financed by the same bank under the Company, assignment of insurance policies, charter contracts and earnings, charge over the earning account, and corporate guarantee by the Company.

The Group shall maintain a minimum Adjusted Tangible Net Worth of $100 million at all times and the Adjusted Leverage ratio shall be less than 2.0 times.

Loan #12

In financial year 2014, the Company established $300 million multicurrency medium term notes programme (the “Programme”). Under the Programme, the Company may from time to time issue notes (the “Notes”) in series or tranches, in Singapore dollar or other currency as may be agreed between relevant dealer(s) of the Programme and the Company.

On 18 October 2013, the Company has issued $50 million fixed rate notes series 1 notes with fixed interest rate of 5.75% per annum, direct, unconditional, unsecured and unsubordinated obligations and will mature on 18 October 2016. The purposes of issuance are refinancing of borrowings, financing investments and general working capital for the Company or the Group.

24. TERM LOANS (CONTINUED)

Loan #12 (Continued)

On 14 October 2016, the Company procured a majority approval from the Noteholders in extending the maturity of the Notes by three years from 18 October 2016 based on the following terms in restructuring the debt arising from the Notes:

(i) Additional interest at the rate of 1.5% per annum to be paid on the Notes; and
(ii) Grant of a second ranking mortgage over a piece land with an approximate area of 152,750 sqm in Batam, Indonesia.
(iii) Grant of a first ranking mortgage over a piece land with an approximate area of 155,858 sqm in Batam, Indonesia.

Loan #13

The Group was granted a credit facility amounting $7 million including $5 million Revolving Credit Facilities ("RCF") and $2 million overdraft for working capital requirements. Interest charged is at 4.25% per annum. The RCF is on yearly renewal basis and is secured by first legal mortgage over the land and building at the Batam shipyard, a Fiduciary Transfer of Ownership over the equipment mounted at the third dry dock, FTO of insurance in respect of the land and building and equipment mortgaged in favour of the bank.

25. DEFERRED TAX LIABILITIES

	Group		Company	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
At beginning of the financial year	955	1,035	–	–
(Credit)/Charged to profit or loss				
- Current financial year movement	–	40	–	–
- Over provision in prior financial year	(955)	(120)	–	–
At end of the financial year	–	955	–	–

Deferred tax liabilities relate to the following:

Group	**Consolidated statement of financial position**		**Consolidated statement of profit or loss**	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Deferred tax liabilities				
– excess of net book value over the tax written-down value of plant and equipment	–	549	(955)	(80)
– differences in revenue recognition based on percentage of completion for tax purposes	–	406	–	–
	–	955	(955)	(80)

26. SHARE CAPITAL

	Group and Company			
	2018	2017	2018	2017
	Number of shares		$'000	$'000
Issued and fully paid:				
At beginning of financial year	340,750,000	340,750,000	59,239	59,239
Exercise of warrants [1]	160,000	–	5	–
Debt restructuring exercise (Note 35)	3,183,619,761	–	96,427	–
At end of financial year	3,524,529,761	340,750,000	155,671	59,239

[1] Issuance of 160,000 consideration shares at exercise price of $0.035 per share upon exercise of warrants on 5 July 2018. All ordinary shares are fully paid.

The warrants were listed on the Mainboard of the SGX-ST and the salient features of the warrants are disclosed in Note 35 to the financial statements.

The holders of ordinary shares of the Company are entitled to receive dividends as and when declared by the Company. All ordinary shares excluding treasury shares of the Company carry one vote per share without restriction. The ordinary shares have no par value.

27. TREASURY SHARES

	Group and Company			
	2018		2017	
	Number of shares	$'000	Number of shares	$'000
At beginning/end of the financial year	4,201,400	1,203	4,201,400	1,203

28. RESERVES

(a) Capital reserve

Capital reserve arose from the changes of equity interest of the Group and non-controlling interests in a subsidiary in financial year 2013.

(b) Other reserves

Other reserves represent the share of other comprehensive income of a joint venture arising from actuarial gain on defined benefit plan as well as effective portion of the cumulative net change in the fair value of hedging instruments pending subsequent recognition in the income statement.

28. RESERVES (CONTINUED)

(c) Employee share option reserve

Employee share option reserve represents the equity-settled share options granted to employees (Note 6). This reserve is made up of the cumulative value of services received from employees recorded on grant of share options.

(d) Foreign currency translation reserve

Foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

29. SIGNIFICANT RELATED PARTY TRANSACTIONS

A related party is defined as follows:

(a) A person or a close member of that person's family is related to the Group and Company if that person:
- (i) Has control or joint control over the Company;
- (ii) Has significant influence over the Company; or
- (iii) Is a member of the key management personnel of the Group or Company or of a parent of the Company.

(b) An entity is related to the Group and the Company if any of the following conditions applies:
- (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Company is itself such a plan, the sponsoring employers are also related to the Company.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

Associates are related parties and include those that are associates of the holding and/or related companies.

29. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

Some of the arrangements with related parties and the effects of these bases determined between the parties are reflected elsewhere in this report. The trade and non-trade balances due from/to related parties are unsecured, interest-free and repayable on demand. Transaction between the Company and its subsidiaries, which are related companies of the Company have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related companies are disclosed below:

Sales and purchases of goods and services

	Group	
	2018	2017
	$'000	$'000
Income		
Sales of inventories to a joint venture	7	108
Ship repair revenue from a joint venture	467	548
Commission earned from a joint venture	13	11
Cost and expenses		
Charter expense from a joint venture	–	78

Compensation of directors and key executives

	Group	
	2018	2017
	$'000	$'000
Short-term employee benefits	2,005	1,695
Contribution to defined contribution plans	89	67
Share-based payment	83	112
	2,177	1,874
Comprised amounts paid to:		
– Directors of the Company	1,189	1,034
– Other key executives	988	840
	2,177	1,874

The remuneration of directors and key management is determined by the remuneration committee having regard to the performance of individuals and market trends.

30. CONTINGENCIES AND COMMITMENTS

(i) Corporate guarantees

The Company has given the following corporate guarantees in respect of banking facilities of subsidiaries and joint ventures as at the financial year end:

	Company	
	2018	2017
	$'000	$'000
Subsidiaries		
Term loans-secured	–	195,769
Joint ventures		
Share of term loans-secured	–	19,227
	–	214,996

In the previous financial year, the Company had also provided a corporate guarantee to a ship builder pursuant to a rig construction contract entered into by a subsidiary amounting to US$21.43 million.

After the completion of the Debt Restructuring Exercise as disclosed in Note 35, the corporate guarantees given to the respective subsidiaries and joint ventures were released and discharged.

As at the end of the financial year, the Company had also given undertakings to certain subsidiaries to provide continued financial support to these subsidiaries to enable them to operate as going concern and to meet their obligations as and when they fall due for at least 12 months from the financial year end.

(ii) Non-cancellable operating lease commitments

The Group has entered into operating lease agreement for equipment which contains renewable options. Lease terms do not contain restrictions on the Group's activities concerning dividends, additional debt or further leasing.

The future minimum rental payable under non-cancellable operating leases at the end of the financial year is as follows:

	Group	
	2018	2017
	$'000	$'000
– not later than one year	229	246
– one year through five years	586	148
	815	394

31. SEGMENT INFORMATION

The Group has identified the operating segments as described below, which are the Group's Strategic business units.

(i) Ship chartering services – Relates to charter hire activities
(ii) Ship building and repair services – Relates to ship building and ship repair activities

Transfer price between operating segments are on arm's length basis in a manner similar to transactions with related parties.

	Ship chartering services $'000	Ship building and repair services $'000	Total operations $'000
2018			
External revenue	11,462	15,095	26,557
Reportable segment results from operating activities	88,323	49,538	137,861
Share of losses in joint ventures	(5,410)	–	(5,410)
Reversal of impairment losses on investments in joint ventures	779	–	779
Finance income	3	3	6
Finance costs	(2,104)	(457)	(2,561)
Unallocated net finance expenses			(160)
Unallocated other corporate income, net			37,523
Profit before income tax			168,038
Income tax credit			940
Profit for the financial year			168,978
Reportable segment assets	72,912	27,077	99,989
Interest in joint ventures	11,490	–	11,490
Unallocated assets			13,279
Total assets			124,758
Reportable segment liabilities	1,460	8,702	10,162
Unallocated liabilities			1,383
Total liabilities			11,545
Capital expenditure	1,325	213	1,538
<u>Other material non-cash items:</u>			
Depreciation of property, plant and equipment	4,743	2,555	7,298
Reversal of impairment losses in joint ventures	(779)	–	(779)
Allowance for doubtful trade receivables	1,931	–	1,931
(Gain)/Loss on disposal of property, plant and equipment	(690)	25	(665)
Waiver of debts	(127,902)	(51,976)	(179,878)

31. SEGMENT INFORMATION (CONTINUED)

Business segments

	Ship chartering services $'000	Ship building and repair services $'000	Total operations $'000
2017			
External revenue	16,572	22,066	38,638
Reportable segment results from operating activities	(185,156)	(48,334)	(233,490)
Share of losses in joint ventures	(51,269)	–	(51,269)
Impairment loss on investment in a joint venture	(7,531)	–	(7,531)
Finance income	5	7	12
Finance costs	(7,879)	(2,219)	(10,098)
Unallocated net finance expenses			(123)
Unallocated other corporate expenses, net			(9,793)
Loss before income tax			(312,292)
Income tax expenses			(398)
Loss for the financial year			(312,690)
Reportable segment assets	64,256	47,050	111,306
Interest in joint ventures	18,830	–	18,830
Unallocated assets			61
Total assets			130,197
Reportable segment liabilities	130,055	92,364	222,419
Unallocated liabilities	60,420	–	60,420
Total liabilities			282,839
Capital expenditure	3	6	9
Other material non-cash items:			
Depreciation of property, plant and equipment	13,470	3,038	16,508
Allowance for doubtful trade receivables	16,876	–	16,876
Allowance for doubtful other receivables	34,264	354	34,618
Inventories written down	–	38,750	38,750
Impairment loss on investment in joint ventures	7,531	–	7,531
Impairment loss on property, plant and equipment	136,128	–	136,128
Deposits written off	–	2,289	2,289

31. SEGMENT INFORMATION (CONTINUED)

Geographical information

The Group operates mainly in Singapore, Indonesia, Malaysia and Australia, with Singapore, Indonesia and Australia (as well as to a lesser extent other regional countries in Southeast Asia) being its major markets for ship chartering activities. Indonesia (principally the shipyard at Batam) is its major market for shipbuilding and repair activities.

Revenue from third party major customers amounted $10,891,000 (2017: $16,728,000) which were generated by the shipbuilding and repair services segment.

Revenues from the external customers of the Group were derived based on the country of origin of the customers and not the destination for the delivery of the Group's chartering services or built vessels.

Non-current assets (other than financial instruments and deferred tax assets) of the Group were spread across Singapore (being the Company's country of domicile), Indonesia, Australia and Thailand as at the financial year, which were derived based on the flag of the vessels and the location for the other assets.

The Group	Singapore $'000	Indonesia $'000	Australia $'000	Thailand $'000	Malaysia $'000	Others* $'000	Total $'000
2018							
Revenue	10,056	11,497	908	–	2,596	1,500	26,557
Non - current assets	69,319	19,963	1,714	–	8,105	–	99,101
2017							
Revenue	7,656	14,741	1,635	801	8,687	5,118	38,638
Non - current assets	66,960	22,250	1,833	–	8,552	–	99,595

* Others comprise of Asian countries and Europe (2017: Asian countries and Europe).

32. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS

The Group has documented financial risk management policies. These policies set out the Group's overall business strategies and its risk management philosophy. The Group's overall financial risk management programme seeks to minimise potential adverse effects of financial performance of the Group. The board of directors provides written principles for overall financial risk management and written policies covering specific areas, such as market risk (including foreign currency risk and interest rate risk), liquidity risk and credit risk. Such written policies are reviewed annually by the board of directors and periodic reviews are undertaken to ensure that the Group's policy guidelines are complied with. Risk management is carried out by the board of directors.

There have been no changes to the Group's exposure to these financial risks or the manner in which it manages and measures the risk.

32. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

Foreign currency risk

Foreign currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group also sells its products/services in several countries and for such overseas sales, it transacts mainly in United States dollars ("USD"), Australian dollars ("AUD") and Indonesia Rupiah ("IDR"). As a result, movements in USD, AUD and IDR exchange rates are the main foreign currency risk which the Group is exposed to. Transaction risk is calculated in each foreign currency and includes foreign currency denominated assets and liabilities and probable purchases and sales commitments. The Group has not entered into any derivative instruments for trading purposes.

The carrying amounts of the Group's and Company's foreign currency denominated monetary assets and monetary liabilities as at the end of the financial year are as follows:

Group	Singapore dollars	United States dollars	Australian dollars	Indonesia Rupiah	Others*	Total
	$'000	$'000	$'000	$'000	$'000	$'000
2018						
Financial assets						
Trade receivables	1,813	851	67	1,042	223	3,996
Other receivables and deposits	851	720	1	47	1	1,620
Cash and cash equivalents	9,549	7,481	869	47	1	17,947
	12,213	9,052	937	1,136	225	23,563
Financial liabilities						
Trade payables	2,589	240	–	3,220	85	6,134
Other payables and accruals	3,372	78	41	156	10	3,657
Borrowings – interest bearing	154	–	–	–	–	154
	6,115	318	41	3,376	95	9,945
Net financial assets/(liabilities)	6,098	8,734	896	(2,240)	130	13,618
Less: Net financial liabilities denominated in their respective functional currencies	(6,098)	–	–	–	–	(6,098)
Net foreign currency exposure	–	8,734	896	(2,240)	130	7,520

* Others comprise of Malaysia Ringgit and Thai Baht.

32. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

Market risk (Continued)

Foreign currency risk (Continued)

Group	Singapore dollars $'000	United States dollars $'000	Australian dollars $'000	Indonesia Rupiah $'000	Others* $'000	Total $'000
2017						
Financial assets						
Trade receivables	2,452	1,432	145	501	–	4,530
Other receivables and deposits	1,280	541	–	466	6	2,293
Cash and cash equivalents	1,864	1,801	782	333	1	4,781
	5,596	3,774	927	1,300	7	11,604
Financial liabilities						
Bank overdraft	2,000	–	–	–	–	2,000
Trade payables	9,398	597	–	203	93	10,291
Other payables and accruals	16,265	3,295	305	600	139	20,604
Borrowings – interest bearing	175,316	70,556	–	–	–	245,872
	202,979	74,448	305	803	232	278,767
Net financial (liabilities)/assets	(197,383)	(70,674)	622	497	(225)	(267,163)
Less: Net financial liabilities denominated in their respective functional currencies	197,355	72,217	–	–	–	269,572
Net foreign currency exposure	(28)	1,543	622	497	(225)	2,409

* Others comprise of Euro, Japanese Yen, Malaysia Ringgit and Thai Baht.

32. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

Market risk (Continued)

Foreign currency risk (Continued)

Company 2018	Singapore dollars $'000	United States dollars $'000	Australian dollars $'000	Total $'000
Financial assets				
Other receivables	44	10	1	55
Amounts due from subsidiaries (non-trade)	62,841	58,875	–	121,716
Cash and cash equivalents	6,578	5,824	743	13,145
	69,463	64,709	744	134,916
Financial liabilities				
Other payables and accruals	1,378	–	–	1,378
Net financial assets	68,085	64,709	744	133,538
Less: Net financial liabilities denominated in the Company's functional currency	(68,085)	–	–	(68,085)
Net foreign currency exposure	–	64,709	744	65,453

Company 2017	Singapore dollars $'000	United States dollars $'000	Total $'000
Financial assets			
Other receivables	1	–	1
Amounts due from subsidiaries (non-trade)	36,967	59,869	96,836
Cash and cash equivalents	4	2	6
	36,972	59,871	96,843
Financial liabilities			
Other payables and accruals	10,412	–	10,412
Borrowing – interest bearing	50,000	–	50,000
	60,412	–	60,412
Net financial (liabilities)/assets	(23,440)	59,871	36,431
Less: Net financial liabilities denominated in the Company's functional currency	23,440	–	23,440
Net foreign currency exposure	–	59,871	59,871

32. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

Market risk (Continued)

Foreign currency risk (Continued)

Foreign currency sensitivity analysis

The following table details the sensitivity to a 10% increase and decrease in the Singapore dollars against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjustment of their translation at the period end for a 10% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where they give rise to an impact on the Group's profit or loss.

A 10% strengthening of Singapore dollars against the relevant foreign currencies at the end of the financial year would increase/(decrease) profit or loss by the amounts shown below:

2018	Singapore dollars $'000	United States dollars $'000	Australian dollars $'000	Indonesia Rupiah $'000	Others $'000
Group					
Profit for the financial year	–	(725)	(74)	186	(11)
Company					
Profit for the financial year	–	(5,371)	(62)	–	–

2017	Singapore dollars $'000	United States dollars $'000	Australian dollars $'000	Indonesia Rupiah $'000	Others $'000
Group					
Loss for the financial year	2	(128)	(52)	(41)	19
Company					
Loss for the financial year	–	(4,969)	–	–	–

The statement of changes in equity will also be impacted by the same amount as disclosed above.

A 10% weakening of Singapore dollars against the above currencies would have had the equal but opposite effect on the above currencies to the amounts shown above.

32. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

Market risk (Continued)

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's interest rate risk relates to interest bearing liabilities.

The Group's policy is to obtain the most favourable interest rates available without increasing its foreign currency exposure. The Group constantly monitors its interest rate risk and does not utilise forward contracts or other arrangements for trading or speculative purposes. As at the financial year end, there were no such arrangements, interest rate swap contracts or other derivative instruments outstanding.

The following table sets out the carrying amount, by maturity, of the Group's financial instruments, that are exposed to interest rate risk:

Group	**Effective interest rate range**	**2018**	**2017**
		$'000	**$'000**
Within one year – floating rates			
Term loans – secured	2.39% to 5.43%	–	(190,769)
Bank overdraft – secured	4.25%	–	(2,000)

Interest risk sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to interest rates for active instruments at the statement of financial position date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting periods in the case of instruments that have floating rates. A 100 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the possible change in interest rates.

If the interest rates had been 1% higher or lower and all other variables were held constant, the Group's profit for the current financial year would decrease or increase by $Nil (2017: $1,600,000). This is mainly attributable to the Group's exposure to interest rates on its variable rates borrowings.

Liquidity risk

Liquidity risk refers to the risk in which the Group encounters difficulties in meeting its short-term obligations. Liquidity risks are managed by matching the payment and receipt cycle.

The Group monitors its liquidity risk and maintains a level of cash and bank balances deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows. Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses including the servicing of financial obligations.

32. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

Liquidity risk (Continued)

The following tables detail the remaining contractual maturity for non-derivative financial instruments. The tables have been drawn up based on the contractual undiscounted cash flows of financial instruments based on the earlier of the contractual date or when the Group and the Company is expected to receive or (pay). The table includes both interest and principal cash flows.

Group	On demand or within 1 year $'000	Within 2 to 5 years $'000	Over 5 years $'000	Total $'000
Undiscounted financial assets				
2018				
Trade receivables	3,996	–	–	3,996
Other receivables and deposits	1,620	–	–	1,620
Cash and cash equivalents	17,947	–	–	17,947
	23,563	–	–	23,563
2017				
Trade receivables	4,530	–	–	4,530
Other receivables and deposits	2,293	–	–	2,293
Cash and cash equivalents	4,781	–	–	4,781
	11,604	–	–	11,604
Undiscounted financial liabilities				
2018				
Trade payables	4,510	1,624	–	6,134
Other payables and accruals	3,657	–	–	3,657
Borrowings – interest bearing	52	67	35	154
	8,219	1,691	35	9,945
2017				
Bank overdraft	2,000	–	–	2,000
Trade payables	10,291	–	–	10,291
Other payables and accruals	20,604	–	–	20,604
Borrowings – interest bearing	245,837	35	–	245,872
	278,732	35	–	278,767
Total undiscounted net financial assets/(liabilities)				
– at 30 September 2018	15,344	(1,691)	(35)	13,618
– at 30 September 2017	(267,128)	(35)	–	(267,163)

32. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

Liquidity risk (Continued)

Company	On demand or within 1 year	Within 2 to 5 years	Total
	$'000	$'000	$'000
Undiscounted financial assets			
2018			
Cash and cash equivalents	13,145	–	13,145
Other receivables	55	–	55
Amounts due from subsidiaries	121,716	–	121,716
	134,916	–	134,916
2017			
Cash and cash equivalents	6	–	6
Other receivables	1	–	1
Amounts due from subsidiaries	96,836	–	96,836
	96,843	–	96,843
Undiscounted financial liabilities			
2018			
Other payables and accruals	1,378	–	1,378
	1,378	–	1,378
2017			
Other payables and accruals	10,412	–	10,412
Bank borrowings – interest bearing	50,000	–	50,000
	60,412	–	60,412
Total undiscounted net financial assets			
– at 30 September 2018	133,538	–	133,538
– at 30 September 2017	36,431	–	36,431

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. For trade receivables, the Group adopts the policy of dealing only with customers of appropriate credit history, and obtaining sufficient security where appropriate to mitigate credit risk. The concentration of credit risk with respect to the shipbuilding-related trade receivables is limited as the Group adopts the policy of obtaining advances generally amounting to at least 10% of contract value, and by withholding ownership and possession of the vessels under construction until full payment. For other financial assets, the Group adopts the policy of dealing only with high credit quality counterparties. The counterparty's payment profile and credit exposure are continuously monitored at the entity level and the Group. Due to these factors, management believes that no additional credit risk beyond the amount of allowance for impairment made is inherent in the Group's trade receivables.

At the end of financial year, approximately 50% (2017: 57%) of the Group's trade receivables were due from 5 (2017: 5) major customers who operate in Singapore, Indonesia and Malaysia.

32. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

Credit risk (Continued)

As the Group and Company do not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the statement of financial position, except as follows:

	Company	
	2018	2017
	$'000	$'000
Corporate guarantees provided to banks and financial institutions on subsidiaries' borrowings (Note 30)	–	195,769
Corporate guarantees provided to banks and financial institutions on joint ventures' borrowings	–	19,277

The Group's major classes of financial assets are bank deposits and trade receivables. Bank deposits are mainly deposits with banks with high credit-ratings assigned by international credit rating agencies. The credit risk for trade receivables, including trade amounts due from related parties and joint ventures, based on the information provided to key management is as follows:

	Group	
	2018	2017
	$'000	$'000
By geographical areas		
– Singapore	2,028	1,719
– Indonesia	1,096	553
– Other countries	872	2,258
	3,996	4,530

	Group	
	2018	2017
	$'000	$'000
By types of customers		
– Related parties	27	–
– Third parties	3,969	4,530
	3,996	4,530

The carrying amounts of cash and bank balances and trade and other receivables, represent the Group's maximum exposure to credit risk in relation to financial assets.

The Group's trade receivables are non-interest bearing and are generally on 30 – 60 days (2017: 30 – 60 days) term. They are recognised at their original invoice amounts which represent their fair values on initial recognition. Credit risk arises mainly from the inability of its customers to make payments when due. The amounts presented in the statement of financial position are net of allowances for impairment of receivables, estimated by management based on prior experience and the current economic environment.

32. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

Credit risk (Continued)

The age analysis of trade receivables, excluding trade amounts due from related parties and joint ventures is as follows:

	Group	
	2018	2017
	$'000	$'000
Not past due and not impaired	1,226	609
Past due but not impaired		
– past due 0 to 3 months	2,131	2,189
– past due over 3 months	639	1,732
	3,996	4,530
Past due and impaired trade receivables	18,028	16,925
Less: Allowance for impairment loss	(18,028)	(16,925)
	3,996	4,530

The movement in allowance for impairment loss is as follows:

	Group	
	2018	2017
	$'000	$'000
Balance at beginning of the financial year	16,925	1,042
Translation difference	35	(287)
Allowance charged to profit or loss	1,931	16,876
Allowance written back during the financial year	(781)	–
Allowance written off during the financial year	(82)	(706)
Balance at end of the financial year	18,028	16,925

Included in the Group's trade receivable balance are debtors with total carrying amount of approximately $2,770,000 (2017: $3,921,000) which are past due but not impaired as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

Based on the Group's monitoring of customer credit risk, the Group believes that, apart from the above, no impairment allowance is necessary in respect of trade receivables not past due or past due by up to 3 months. As other receivables are not significant, no detailed age analysis has been set out as above.

The Group will write off receivables which have been due more than five years as it is unlikely to be recovered.

33. FAIR VALUES OF ASSETS AND LIABILITIES

Fair value of assets and liabilities by classes that are carried at fair value

Fair value hierarchy

The fair values of applicable assets and liabilities, are determined and categorised using a fair value hierarchy as follows:

(a) Level 1 – the fair values of assets and liabilities with standard terms and conditions and which trade in active markets that the Group can access at the measurement date are determined with reference to quoted market prices (unadjusted).

(b) Level 2 – in the absence of quoted market prices, the fair values of the assets and liabilities are determined using the other observable, either directly or indirectly, inputs such as quoted prices for similar assets/liabilities in active markets or included within Level 1, quoted prices for identical or similar assets/liabilities in non-active markets.

(c) Level 3 – in the absence of quoted market prices included within Level 1 and observable inputs included within Level 2, the fair values of the remaining assets and liabilities are determined in accordance with generally accepted pricing models.

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

The carrying amounts of cash and cash equivalents, trade and other receivables and payables including, due from and to related parties, current and non-current borrowings at floating rates and fixed rate are reasonable approximation of fair values either due to their short-term nature or that they are floating market interest rate instruments on or near the financial year end.

Valuation policies and procedures

The Executive Director ("ED") oversees the Group's financial reporting valuation process and is responsible for setting and documenting the Group's valuation policies and procedures and reports to the Group's Audit Committee.

It is the Group's policy that where assessed necessary by the local management, the Group would engage experts to perform significant financial reporting valuations. The ED is responsible for selecting and engaging such external experts that possess the relevant credentials and knowledge on the subject of valuation, valuation methodologies, and FRS 113 *Fair Value* measurement guidance.

The ED also reviews at least on an annual basis, the appropriateness of the valuation methodologies and assumptions adopted and evaluates the appropriateness and reliability of the inputs (including those developed internally by the Group) used in the valuations.

The analysis and results of the external valuations are then reported to the Audit Committee for the latter's comments before presenting the results to the Board of Directors for approval.

During the financial year, there is no change in the applicable valuation techniques.

34. CAPITAL MANAGEMENT POLICIES AND OBJECTIVES

The Group manages its capital to ensure that entities within the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance except where decisions are made to exit businesses or close companies.

The capital structure of the Group consists of debt, which includes borrowings disclosed in Note 22, cash and cash equivalents as disclosed in Note 19 and equity attributable to equity holders of the parent, comprising issued capital as disclosed in Note 26 and accumulated losses.

The board of directors reviews the capital structure on an annual basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the management, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debts.

Other than those disclosed in the financial statements, the Company is not exposed to any externally imposed capital requirements for the financial year ended 30 September 2018 and financial year ended 30 September 2017.

The Group's overall strategy remains unchanged from 2017.

35. REFINANCING AND DEBT RESTRUCTURING EXERCISE (THE "DEBT RESTRUCTURING EXERCISE")

In the previous financial year, the Group was underwent a proposed refinancing and debt restructuring exercise involving itself and its subsidiaries (including Marco Polo Shipyard Pte Ltd ("MPSY"), PT Marcopolo Shipyard ("PTMS"), and PT Pelayaran Nasional Bina Buana Raya Tbk ("PT BBR") to settle all of the current secured and certain unsecured debts, as well as the outstanding debts under the medium term notes issued by the Group (the "Notes").

The Debt Restructuring Exercise was proposed to be primarily carried out by way of the following:

(a) a scheme of arrangement on terms acceptable to the Investors pursuant to Section 210 of the Companies Act to be entered into between the Company and the Scheme Creditors (the "Scheme"). The Scheme was approved by the requisite majority of the Scheme Creditors on 16 November 2017 and the court hearing for the sanctioning of the Scheme was scheduled and held on 30 November 2017; The necessary Court sanction was granted on 21 November 2017 and the Scheme was lodged with the Accounting and Corporate Regulatory Authority on 5 December 2017;

(b) a scheme of arrangement pursuant to Section 210 of the Companies Act to be entered into between MPSY and the MPSY Scheme Creditors (the "MPSY Scheme"). The MPSY Scheme was approved by the requisite majority of the MPSY Scheme Creditors on 16 November 2017 and the court hearing for the sanctioning of the MPSY Scheme was scheduled and held on 30 November 2017; The necessary Court sanction was granted on 21 November 2017 and the MPSY Scheme was lodged with ACRA on 5 December 2017;

(c) a consent solicitation exercise to deal with and obtain consensual agreement for the settlement and full discharge of all outstanding debts and liabilities owing to the Noteholders under the Notes (the "Consent Solicitation Exercise"). The Consent Solicitation Exercise was approved by the requisite majority of the Noteholders on 15 November 2017 and a supplemental trust deed executed on 17 January 2018 by, among others, the Company and the trustee (for the Noteholders) to provide for the relevant amendments to the trust deed that were necessary to achieve the aforesaid settlement and full discharge of all outstanding debts and liabilities owing under the Notes;

35. REFINANCING AND DEBT RESTRUCTURING EXERCISE (THE "DEBT RESTRUCTURING EXERCISE") (CONTINUED)

The Debt Restructuring Exercise was proposed to be primarily carried out by way of the following: (Continued)

(d) the "Penundaan Kewajiban Pembayaran Utang" Indonesian court-supervised debt restructuring proceedings commenced by PTMS on 18 May 2017 in accordance with Indonesian Law No. 37 of 2004 on Bankruptcy and Suspension of Debt Payment (the "PKPU Restructuring"). Pursuant to this application, a team of administrators was designated to assist PTMS in managing its assets. The proposal of the PKPU Restructuring, which essentially entails the suspension of debt payment by PTMS, was approved by the Indonesian court on 18 December 2017; and

(e) the restructuring of the secured debts of PT BBR via the PT BBR inter-creditor deed on terms ensuring that PT BBR is able to continue as a going concern post-completion of the Debt Restructuring Exercise. The inter-creditor deed was signed off by the respective secured lenders on 17 January 2018.

As part of the debt restructuring exercise, the Group secured an equity fund raising of S$60 million, of which the Company entered into several investment agreements with a group of nine investors from 11 September 2017 to 7 November 2017. The use of proceeds from this equity fund raised was mainly as stated:

(i) S$45 million was set aside to settle the cash component of the Debt Restructuring Exercise for the settlement of outstanding debts and liabilities due and owing to the Scheme Creditors, the Noteholders and the PKPU secured creditors;

(ii) S$15 million will be used as the general working capital (including partial settlement of professional fees and costs (estimated to be approximately S$2.5 million) incurred in connection with the Debt Restructuring Exercise) and partial cash payments proposed to be made to the MPSY Scheme Creditors pursuant to the MPSY Scheme and PKPU unsecured creditors.

Pursuant to the issuance of new shares as part of the Debt Restructuring Exercise, the Company issued a circular to the shareholders on 28 November 2017 and approval was granted through an EGM held on the 14 December 2017.

On 25 January 2018, the Board announced the completion of the debt restructuring exercise and has successfully implemented and completed the required settlements pursuant to the MPML Scheme, the MPSY Scheme and the PKPU as well as redeemed the Notes in full following the Consent Solicitation Exercise and achieved a standstill on certain payment obligations of its joint venture, PT BBR with certain secured creditors in relation to the restructuring of the secured debts of PT BBR. Accordingly, the Company has fully discharged its obligations to the respective scheme creditors under the MPML Scheme and the MPSY Scheme, the secured creditors under the PKPU and the Noteholders.

35. REFINANCING AND DEBT RESTRUCTURING EXERCISE (THE "DEBT RESTRUCTURING EXERCISE") (CONTINUED)

Following the completion of the debt restructuring exercise on 25 January 2018, the relevant changes are disclosed as follows:

Allotment and issuance of new ordinary shares

	Note	No. of shares	$'000
Total number of issued share capital as at 30 September 2017	26	340,750,000	59,239
Add:			
Investment Shares [(1)]		2,142,857,141	60,000
Creditors Placement Shares [(2)]		983,619,763	34,427
Professionals Consideration Shares [(3)]		57,142,857	2,000
	26	3,183,619,761	96,427
Exercise of warrants [(4)]	26	160,000	5
Total number of issued shares capital as at 30 September 2018	26	3,524,529,761	155,671

[(1)] issued and allotted 2,142,857,141 new Shares at an issue price of S$0.028 each to the investors (the "Investment Shares");

[(2)] issued and allotted 983,619,763 new shares at an issue price of S$0.035 each to the Noteholders, MPML Scheme Creditors, MPSY Scheme Creditors and certain unsecured creditors of the Group;

[(3)] issued and allotted 57,142,857 new Shares at an issue price of S$0.035 each for the settlement of professional fees (in lieu of cash payment) incurred in connection with the Debt Restructuring Exercise (the "Professionals Consideration Shares"); and

[(4)] 160,000 new ordinary shares were issued pursuant to the exercise of warrants for the equivalent numbers by the registered holders.

Allotment and issuance of warrants

On 30 January 2018, the Company issued and allotted 269,238,877 free warrants (the "Warrants") on the basis of eight (8) Warrants for every ten (10) Shares held by the Shareholders as at the end of the books closure date on 24 January 2018. Each of the Warrants would entitle the holder a right to subscribe for one new Share at an exercise price of S$0.035 each and each Warrant can only be exercised during the period commencing on and including the date six (6) months from the date of listing of the Warrants on the Singapore Exchange Securities Trading Limited (the "SGX-ST") on 2 February 2018 and expiring on the date immediately preceding 30 January 2023, being the fifth anniversary of the date of issue of the Warrants.

Waiver of debts

The total debts due and payable by the Group (including accrued interests and contingent liabilities attributed to the corporate guarantees provided by the Company) were settled and discharged by way of a combination of settlement in equity (through the issuance of new Shares) and in cash as well as the waiver of debts. Consequence to which, Investment Shares, Creditors Placement Shares and Professionals Consideration Shares were issued and debts aggregating S$179,878,000 were waived as disclosed in Note 5.

36. COMPARATIVE INFORMATION

Reclassifications have been made to the prior year's financial statements.

(1) To more appropriately reflect the depreciation expenses attributed to the unutilised vessels of the Group under Other Operating Expenses instead of under Cost of Sales.

	As previously reported $'000	Amount reclassified $'000	As reclassified $'000
Consolidated statement of profit or loss and other comprehensive income 30 September 2017			
Cost of sales	37,566	(8,800)	28,766
Gross profit	1,072	8,800	9,872
Other operating expenses	247,198	8,800	255,998

(2) To enhance comparability with the current year's financial statements.

	As previously reported $'000	Amount reclassified $'000	As reclassified $'000
Consolidated statement of cash flows 30 September 2017			
Operating activities			
Adjustments for:			
Allowance for doubtful other receivables	34,618	(34,618)	–
Bad debts written off	62	354	416
Recoverable cost expensed off	–	34,264	34,264

These reclassifications do not have any impact on the financial results of the Group.

STATISTICS OF SHAREHOLDINGS

As at 17 December 2018

NO. OF ISSUED SHARES (EXCLUDING TREASURY SHARES) :	3,520,328,361
CLASS OF SHARES:	ORDINARY SHARES
VOTING RIGHTS (EXCLUDING TREASURY SHARES):	ONE VOTE PER ORDINARY SHARE

ANALYSIS OF SHAREHOLDING BY RANGE

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	–	–	–	–
100 - 1,000	198	5.65	189,662	0.01
1,001 - 10,000	931	26.57	6,338,657	0.18
10,001 - 1,000,000	2,255	64.36	328,797,072	9.34
1,000,001 & ABOVE	120	3.42	3,185,002,970	90.47
TOTAL	3,504	100.00	3,520,328,361	100.00

Substantial Shareholders' Information

	Direct Interest		Deemed Interest	
Substantial Shareholder	**Units**	**%**	**Units**	**%**
Apricot Capital (Cayman) Ltd ("ACCL")	607,142,857 (1)	17.25	71,428,571 (2)	2.03
Lee Wan Tang	–	–	375,561,313 (3)	10.67
Nautical International Holdings Ltd	–	–	360,754,153 (4)	10.25
Yanlord Capital Pte. Ltd.	303,571,428	8.62	35,714,286 (5)	1.01
Zhong Sheng Jian	360,000	0.01	339,285,714 (6)	9.64
Penguin International Limited	303,571,428	8.62	35,714,286 (7)	1.01

(1) The 607,142,857 shares are held by DBS Nominees Pte Ltd on behalf af ACCL as bare trustee.

(2) ACCL is deemed interested in 71,428,571 shares which are held on trust for ACCL by Watiga Trust Pte. Ltd.

(3) Lee Wan Tang is deemed interested in: (a) the 200,418,974 Shares in which Nautical International Holdings Ltd has a deemed interest in as Lee Wan Tang hold 660,003 ordinary shares in Nautical International Holdings Ltd; (b) the 8,226,200 Shares held by RHB Securities Singapore Pte Ltd as Lee Wan Tang's nominee; and (c) the 166,916,139 bonus warrants which were issued and allotted on 29 January 2018 out of which 160,335,179 of the bonus warrants were granted to Nautical International Holdings Ltd and 6,850,960 bonus warrants were granted to RHB Securities Singapore Pte Ltd as Lee Wan Tang's respective nominees.

(4) Nautical International Holdings Ltd is deemed interested in: (a) 200,418,974 Shares held by RHB Securities Singapore Pte Ltd as its nominee; and (b) 160,335,179 bonus warrants which were issued and allotted to RHB Securities Singapore Pte Ltd as a nominee to Nautical International Holdings Ltd.

(5) Yanlord Capital Pte. Ltd. is deemed interested in 35,714,286 shares held by Watiga Trust Pte. Ltd. on behalf of Yanlord Capital Pte. Ltd.

(6) Zhong Sheng Jian is deemed interested in the 339,285,714 Shares held by Yanlord Capital Pte. Ltd.

(7) Penguin International Limited is deemed interested in 35,714,286 shares held by Watiga Trust Pte. Ltd. on behalf of Penguin International Limited.

Compliance with Rule 723 of the SGX-ST Listing Manual

Based on information available and to the best of the Company, as at 17 December 2018, approximately 50.92% of the ordinary shares excluding treasury shares of the Company are held by the public. The Company is therefore in compliance with Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited.

Treasury Shares as at 17 December 2018

As at 17 December 2018, 4,201,400 ordinary shares are held as treasury shares, representing 0.12% of the total number of issued shares excluding treasury shares.

STATISTICS OF SHAREHOLDINGS

As at 17 December 2018

	TOP TWENTY SHAREHOLDERS AS AT 17 DECEMBER 2018	NO. OF SHARES	%
1	DBS NOMINEES PTE LTD	778,326,306	22.11
2	UOB KAY HIAN PTE LTD	338,698,713	9.62
3	PENGUIN INTERNATIONAL LIMITED	303,571,428	8.62
4	YANLORD CAPITAL PTE LTD	303,571,428	8.62
5	RHB SECURITIES SINGAPORE PTE LTD	210,588,174	5.98
6	RAFFLES NOMINEES (PTE) LIMITED	151,876,914	4.31
7	LIM CHAP HUAT	151,785,714	4.31
8	OVERSEA CHINESE BANK NOMINEES PTE LTD	132,152,156	3.75
9	SINGAPORE ENTERPRISES PTE LTD	86,618,414	2.46
10	CGS-CIMB SECURITIES (SINGAPORE) PTE LTD	79,395,127	2.26
11	SF VENTURES PTE LTD	57,142,857	1.62
12	CATERPILLAR FINANCIAL SERVICES ASIA PTE LTD	48,858,171	1.39
13	HO LEE GROUP PTE LTD	40,535,715	1.15
14	KINGPIN INVESTMENT (PTE LTD)	34,780,351	0.99
15	UNITED OVERSEAS BANK NOMINEES PTE LTD	33,710,300	0.96
16	PAVILION CAPITAL FUND HOLDINGS PTE LTD	32,859,000	0.93
17	OCBC SECURITIES PRIVATE LTD	29,709,711	0.84
18	CITIBANK NOMINEES SINGAPORE PTE LTD	26,739,000	0.76
19	MAYBANK KIM ENG SECURITIES PTE.LTD.	21,549,048	0.61
20	PHILLIP SECURITIES PTE LTD	19,542,500	0.56
		2,882,011,027	81.87

STATISTICS OF SHAREHOLDINGS

As at 17 December 2018

ANALYSIS OF WARRANTHOLDINGS BY RANGE

SIZE OF WARRANTHOLDINGS	NO. OF WARRANTHOLDERS	%	NO. OF WARRANTS	%
1 - 99	11	0.49	560	0.00
100 - 1,000	192	8.55	151,669	0.06
1,001 - 10,000	951	42.32	5,299,170	1.97
10,001 - 1,000,000	1,077	47.93	56,098,860	20.85
1,000,001 & ABOVE	16	0.71	207,528,618	77.12
TOTAL	**2,247**	**100.00**	**269,078,877**	**100.00**

	TOP TWENTY WARRANTHOLDERS AS AT 17 DECEMBER 2018	NO. OF WARRANTS	%
1	RHB SECURITIES SINGAPORE PTE LTD	167,630,539	62.30
2	TAN HAI PENG MICHEAL	7,840,000	2.91
3	RAFFLES NOMINEES (PTE) LIMITED	4,655,820	1.73
4	DBS NOMINEES PTE LTD	3,219,000	1.20
5	LIM KIAN HONG (LIN JIANHONG)	2,764,000	1.03
6	WWIG PTE LTD	2,726,100	1.01
7	MAYBANK KIM ENG SECURITIES PTE.LTD.	2,679,199	1.00
8	DBS VICKERS SECURITIES (S) PTE LTD	2,572,000	0.96
9	UOB KAY HIAN PTE LTD	2,548,880	0.95
10	CITIBANK NOMINEES SINGAPORE PTE LTD	2,233,600	0.83
11	PHILLIP SECURITIES PTE LTD	2,056,440	0.76
12	UNITED OVERSEAS BANK NOMINEES PTE LTD	1,649,760	0.61
13	OCBC SECURITIES PRIVATE LTD	1,412,240	0.52
14	LOI WIN YEN	1,360,000	0.51
15	ZHONG SILIANG	1,114,000	0.41
16	TAN SOON HOE	1,067,040	0.40
17	TAN LYE SENG	979,280	0.36
18	EIO HOCK CHUAR	900,000	0.33
19	OCBC NOMINEES SINGAPORE PTE LTD	880,720	0.33
20	SOH LYE HOCK	880,000	0.33
		211,168,618	**78.48**

APPENDIX

APPENDIX DATED 11 JANUARY 2019

THIS APPENDIX IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. PLEASE READ IT CAREFULLY.

If you are in any doubt as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

If you have sold or transferred all your shares in the capital of Marco Polo Marine Ltd (the "**Company**") held through The Central Depository (Pte) Limited ("**CDP**"), you need not forward this appendix to the purchaser or transferee as arrangements will be made by CDP for a separate appendix to be sent to the purchaser or transferee. If you have sold or transferred all your shares represented by physical share certificate(s), you should at once hand this appendix to the purchaser or transferee or to the bank, stockbroker or agent through whom you effected the sale or transfer, for onward transmission to the purchaser or transferee. The Singapore Exchange Securities Trading Limited assumes no responsibility for the correctness of any of the statements made, reports contained or opinions expressed in this appendix.

MARCO POLO MARINE LTD

(Incorporated in the Republic of Singapore)
(Company Registration No. 200610073Z)

APPENDIX

in relation to

THE PROPOSED RENEWAL OF THE IPT GENERAL MANDATE

APPENDIX

CONTENTS

DEFINITIONS

In this Appendix, the following definitions apply throughout unless otherwise stated:

"**AGM**"	:	The annual general meeting of the Company to be convened and held at 10.30 a.m. on 28 January 2019 at 66 Kallang Pudding Road, Hor Kew Business Centre, #07-01, notice of which is attached to the Annual Report;
"**Appendix**"	:	This appendix to Shareholders dated 11 January 2019;
"**Associated Company**"	:	A company in which at least twenty per cent (20%) but not more than fifty per cent (50%) of its shares are held by the Company or the Group;
"**Associates**"	:	(a) In relation to any director, chief executive officer, substantial shareholder or controlling shareholder (being an individual) means:- (i) his immediate family; (ii) the trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and (iii) any company in which he and his immediate family together (directly or indirectly) have an interest of thirty per cent (30%) or more (b) In relation to a substantial shareholder or a controlling shareholder (being a company) means any other company which is its subsidiary or holding company or is a subsidiary of such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of thirty per cent (30%) or more;
"**Audit Committee**"	:	The Audit Committee of the Company as at the date of this Appendix, comprising the Audit Committee Chairman Mr. Lim Han Boon, Mr. Lee Kiam Hwee Kelvin and Mr Tan Hai Peng Micheal;
"**Board**"	:	The board of Directors of the Company for the time being;
"**BRJ**"	:	Has the meaning ascribed to it in Paragraph 3.1(a) of the Annex to this Appendix;
"**CDP**"	:	The Central Depository (Pte) Limited;
"**Companies Act**"	:	The Companies Act (Chapter 50) of Singapore, as amended, modified or supplemented from time to time;
"**Company**" or "**MPM**"	:	Marco Polo Marine Ltd;
"**Constitution**"	:	The constitution of the Company, being its memorandum and articles of association, as amended, modified or supplemented from time to time;

"**Controlling Shareholder**"	:	A person who:- (a) holds directly or indirectly fifteen per cent (15%) or more of the total number of issued shares excluding treasury shares in the company. The SGX-ST may determine that a person who satisfies this paragraph is not a controlling shareholder; or (b) in fact exercises control over a company;
"**Directors**"	:	The directors of the Company as at the date of this Appendix;
"**EAR Group**"	:	The Company, its subsidiaries and associated companies (including joint ventures);
"**EPS**"	:	Earnings per Share;
"**February 2018 AGM**"	:	The annual general meeting of the Company held on 27 February 2018;
"**FY**"	:	The financial year ended or ending 30 September;
"**Group**"	:	The Company and its subsidiaries;
"**IDX**"	:	Indonesia Stock Exchange;
"**Independent Directors**"	:	Directors who are regarded as independent for the purpose of the Listing Manual and the IPT General Mandate, namely, any of Mr. Lim Han Boon, Mr. Sim Swee Yam Peter, Mr. Lee Kiam Hwee Kelvin, Mr Teo Junxiang, Darren, Mr Jeffery Hing Yih Peir and Mr Tan Hai Peng Micheal
"**Interested Person Transactions**"	:	The categories of transactions set out in Paragraph 4 of the Annex to this Appendix with the Interested Persons;
"**Interested Persons**"	:	The categories of interested persons set out in Paragraph 3.1 of the Annex to this Appendix;
"**IPT General Mandate Circular**"	:	The Company's circular to Shareholders dated 10 January 2014 setting out, *inter alia*, the details of the IPT General Mandate;
"**IPT General Mandate**"	:	A general mandate given by Shareholders pursuant to Chapter 9 of the Listing Manual to authorise the EAR Group which are considered to be "entities at risk" within the meaning of Rule 904(2) of the Listing Manual, in their ordinary course of businesses, to enter into categories of transactions with specified classes of interested persons, provided that such transactions are entered into on an arm's length basis and on normal commercial terms and will not be prejudicial to the interests of the Company and its minority shareholders;
"**January 2014 EGM**"	:	The extraordinary general meeting of the Company held on 27 January 2014;
"**Latest Practicable Date**"	:	31 December 2018, being the latest practicable date prior to the printing of this Appendix;

"**Lee Family**"	:	Mr. Lee Wan Tang (our Executive Chairman), Mdm Lai Qin Zhi (the wife of Mr Lee Wan Tang and the mother of Mr Sean Lee Yun Fung, Ms Liely Lee and Ms Lina Lee), Mr. Sean Lee Yun Feng (our Chief Executive Officer and the son of Mr. Lee Wan Tang), Ms. Liely Lee (our Alternate Director to and the daughter of Mr. Lee Wan Tang) and Ms. Lina Lee (the daughter of Mr. Lee Wan Tang);
"**Listing Manual**" or "**Listing Rules**"	:	The listing manual of the SGX-ST, or the rules contained therein, as amended, modified or supplemented from time to time;
"**Notice of AGM**"	:	The notice of the AGM as attached to the Annual Report;
"**NTA**"	:	Net tangible assets;
"**Prospectus**"	:	The prospectus dated 26 October 2007 issued by the Company in connection with its initial public offering and listing and quotation of its Shares on the Mainboard of the SGX-ST;
"**Securities and Futures Act**"	:	The Securities and Futures Act (Chapter 289) of Singapore, as amended, modified or supplemented from time to time;
"**SGX-ST**"	:	Singapore Exchange Securities Trading Limited;
"**Shareholders**"	:	Registered holders of Shares except that where the registered holder is CDP, the term "**Shareholders**" shall, in relation to such Shares, mean the persons whose direct securities accounts maintained with CDP are credited with the Shares;
"**Shares**"	:	Ordinary shares in the capital of the Company;
"**SRC**"	:	Has the meaning ascribed to it in Paragraph 3.1(c) of the Annex to this Appendix;
"**Substantial Shareholder**"	:	A Shareholder who has an interest in one (1) or more voting shares in the Company and the total votes attached to those shares is not less than five per cent (5%) of the total votes attached to all the voting shares in the Company;
"**Treasury Shares**"	:	The Shares held in treasury by the Company;
"**%**"	:	Per centum or percentage; and
"**S$**", "**$**" and "**Singapore cents**"	:	Singapore dollars and Singapore cents respectively.

APPENDIX

The terms "**Depositor**", "**Depository Agent**" and "**Depository Register**" shall have the respective meanings ascribed to them in Section 81SF of the Securities and Futures Act.

Words importing the singular shall, where applicable, include the plural and vice versa and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. References to persons shall, where applicable, include corporations.

Any reference in this Appendix to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Companies Act, the Listing Manual or any modification thereof and used in this Appendix shall have the meaning assigned to it under the Companies Act, the Listing Manual or any modification thereof, as the case may be.

Any reference to a time of day in this Appendix shall be a reference to Singapore time unless stated otherwise.

Any discrepancies in the tables included herein between the listed amounts and totals thereof are due to rounding.

LETTER TO SHAREHOLDERS

MARCO POLO MARINE LTD.

(Incorporated in the Republic of Singapore)

(Company Registration No. 200610073Z)

Directors:

Mr. Lee Wan Tang (Executive Chairman)
Mr. Sean Lee Yun Feng (Chief Executive Officer)
Mr. Lim Han Boon (Lead Independent Director)
Mr. Sim Swee Yam Peter (Independent Director)
Mr. Lee Kiam Hwee Kelvin (Independent Director)
Mr. Tan Hai Peng Micheal (Independent Director)
Mr. Teo Junxiang, Darren (Non-Executive Director)
Mr Jeffrey Hing Yih Peir (Non-Executive Director)
Ms. Liely Lee (Alternate Director to Mr. Lee Wan Tang)

Registered Office:

66 Kallang Pudding Road,
#05-01 Hor Kew Business Centre
Singapore 349324

11 January 2019

To: The Shareholders of the Company

Dear Sir / Madam

THE PROPOSED RENEWAL OF THE IPT GENERAL MANDATE.

1. INTRODUCTION

The Directors of the Company propose to table, for the Shareholders' consideration and approval in respect of the renewal of the IPT General Mandate.

The purpose of this Appendix is to provide Shareholders with information pertaining to the aforesaid IPT General Mandate, and to seek Shareholders' approval in respect of the same at the AGM. The notice of AGM is attached to the Annual Report.

2. THE PROPOSED RENEWAL OF THE IPT GENERAL MANDATE

As disclosed in the Prospectus, the Company had initially obtained an IPT General Mandate from its shareholders at an extraordinary general meeting of the Company held on 3 September 2007.

The IPT General Mandate has been subsequently modified by way of Shareholders' approval, the latest modification being at the January 2014 EGM and the latest renewal of such modified mandate being at the February 2018 AGM, such mandate being expressed to take effect until the conclusion of the Company's forthcoming AGM. Accordingly, the Directors propose that the IPT General Mandate be renewed at the forthcoming AGM, to take effect until the conclusion of the annual general meeting to be held in 2019.

The IPT General Mandate Circular contained the terms of the general mandate from Shareholders pursuant to Chapter 9 of the Listing Manual, whereby authority was given to enable the EAR Group, in their ordinary course of businesses, to enter into categories of transactions with specified classes of interested persons, provided that such transactions are entered into on an arm's length basis and on normal commercial terms. The terms of the general mandate for interested person transactions by the EAR Group in respect of which the IPT General Mandate is sought to be renewed are set out in the Annex to this Appendix for the easy reference of the Shareholders.

2. THE PROPOSED RENEWAL OF THE IPT GENERAL MANDATE (CONTINUED)

2.1 Details of the IPT General Mandate

Details of the IPT General Mandate, including the rationale for, and the benefits to, the Company, the review procedures for determining transaction prices with interested persons and other general information relating to Chapter 9 of the Listing Manual, are set out in the Annex to this Appendix.

2.2 Audit Committee Statement

The Audit Committee confirms that:

(a) the methods and procedures for determining the transaction prices under the IPT General Mandate have not changed since the February 2018 AGM; and

(b) the methods and procedures referred to in Section 2.2(a) above are sufficient to ensure that the transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.

3. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

The interests of Directors and Substantial Shareholders of the Company as at the Latest Practicable Date, as recorded in the Company's Register of Directors' Shareholdings and the Register of Substantial Shareholders, respectively, were as follows:

	Number of Shares			
Director	**Direct Interest**	**%(1)**	**Deemed Interest**	**%(1)**
Mr. Lee Wan Tang(2)	–	–	375,561,313(2)	10.67
Mr. Sean Lee Yun Feng(3)	–	–	54,341,429(3)	1.54
Ms. Liely Lee(4)	–	–	54,341,428(4)	1.54
Mr. Lim Han Boon(5)	364,101	0.01	491,280(5)	0.01
Mr. Sim Swee Yam Peter (6)	150,000	0.004	220,000(6)	0.01
Mr. Lee Kiam Hwee Kelvin (7)	–	–	100,000(7)	0.003
Mr. Tan Hai Peng Micheal(8)	9,800,000	0.28	48,375,715(8)	1.37
Mr. Teo Junxiang, Darren(9)	–	–	678,571,428(9)	19.28
Mr. Jeffrey Hing Yih Peir(10)	–	–	67,857,142(10)	1.93
Substantial Shareholder (Other than Directors)				
Nautical International Holdings Ltd(2)(11)	–	–	360,754,153(2)(11)	10.25
Apricot Capital (Cayman) Ltd ("ACCL") (9)(12)	607,142,857(12)	17.25	71,428,571(13)	2.03
Yanlord Capital Pte. Ltd. (14)	303,571,428	8.62	35,714,286(14)	1.01
Zhong Sheng Jian(15)	360,000	0.01	339,285,714(15)	9.64
Penguin International Limited(16)	303,571,428	8.62	35,714,286(16)	1.01

3. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS (CONTINUED)

Notes:

(1) Percentages are based on the issued capital of the Company of 3,520,328,361 as at the Latest Practicable Date.

(2) Lee Wan Tang is deemed interested in: (a) the 200,418,974 Shares in which Nautical International Holdings Ltd has a deemed interest in as Lee Wan Tang holds 660,003 ordinary shares in Nautical International Holdings Ltd; (b) the 8,226,200 Shares held by RHB Securities Singapore Pte Ltd as Lee Wan Tang's nominee; and (c) the 166,916,139 bonus warrants which were issued and allotted on 29 January 2018 out of which 160,335,179 of the bonus warrants were granted to Nautical International Holdings Ltd and 6,850,960 bonus warrants were granted to RHB Securities Singapore Pte Ltd as Lee Wan Tang's respective nominees.

(3) Sean Lee Yun Feng is deemed interested in: (a) 770,000 Shares which will be issued and allotted to him upon the exercise of the employee share options granted to him under the employee share option scheme of the Company ("**MPM ESOS**"); and (b) 53,571,429 Shares which are held on trust for him by Watiga Trust Pte Ltd.

(4) Liely Lee is deemed interested in: (a) 770,000 Shares which will be issued and allotted to her upon the exercise of the employee share options granted to her under the MPM ESOS; and (b) 53,571,429 Shares which are held on trust for her by Watiga Trust Pte Ltd.

(5) Lim Han Boon is deemed interested in: (a) 200,000 Shares which will be issued and allotted to him upon the exercise of the employee share options granted to him under the MPM ESOS; and (b) 291,280 Shares which will be allotted and issued to him upon the exercise of the bonus warrants granted to him on 29 January 2018.

(6) Sim Swee Yam Peter is deemed interested in: (a) 100,000 Shares which will be issued and allotted to him upon the exercise of the employee share options granted to him under the MPM ESOS; and (b) 120,000 Shares which will be allotted and issued to him upon the exercise of the bonus warrants granted to him on 29 January 2018.

(7) Lee Kiam Hwee Kelvin is deemed interested in 100,000 Shares which will be issued and allotted to him upon the exercise of the employee share options granted to him under the MPM ESOS.

(8) Tan Hai Peng Micheal is deemed interested in: (a) 40,535,715 Shares held by Ho Lee Group Pte Ltd; and (b) 7,840,000 bonus warrants which were issued and allotted on 29 January 2018.

(9) Teo Junxiang, Darren is deemed interested in 678,571,428 Shares held by ACCL.

(10) Jeffrey Hing Yih Peir is deemed interested in: (a) 60,714,284 Shares held by Penguin International Limited as Jeffrey Hing Yih Peir's nominee; and (b) 7,142,858 Shares which are held on trust for him by Watiga Trust Pte Ltd.

(11) Nautical International Holdings Ltd is deemed interested in : (a) 200,418,974 Shares held by RHB Securities Singapore Pte Ltd as its nominee; (b) 160,335,179 bonus warrants which were issued and allotted to RHB Securities Singapore Pte Ltd as a nominee to Nautical International Holding Ltd.

(12) The 607,142,857 shares are held by DBS Nominees Pte Ltd on behalf of ACCL as bare trustee.

(13) ACCL is deemed interested in 71,428,571 shares which are held on trust for ACCL by Watisa Trust Pte. Ltd.

(14) Yanlord Capital Pte. Ltd. is deemed to be interested in 35,714,286 Shares held by Watiga Trust Pte. Ltd. on behalf of Yanlord Capital Pte. Ltd.

(15) Zhong Sheng Jian is deemed interested in 339,285,714 Shares held by Yanlord Capital Pte. Ltd.

(16) Penguin International Limited is deemed interested in 35,714,286 Shares held by Watiga Trust Pte Ltd on behalf of Penguin International Limited.

Save as disclosed above, none of the Directors has any direct interest in the share capital of the Company or any of its subsidiaries.

4. DIRECTORS' RECOMMENDATION

Having fully considered, *inter alia*, the scope, guidelines and review procedures, the rationale and the benefits of the IPT General Mandate, the Independent Directors are of the opinion that the proposed IPT General Mandate is in the best interest of the Company, and accordingly recommend Shareholders to vote in favour of the ordinary resolutions relating to renewing the IPT General Mandate at the AGM as set out in the Notice of AGM.

5. ABSTENTION FROM VOTING

In accordance with Rule 919 of the Listing Manual, Interested Persons and their associates shall abstain from voting on resolutions approving Interested Person Transactions involving themselves with the EAR Group.

6. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Appendix and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Appendix constitutes full and true disclosure of all material facts about the proposed renewal of the IPT General Mandate, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Appendix misleading.

Where information in the Appendix has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in the Appendix in its proper form and context.

7. ANNUAL GENERAL MEETING

The AGM, notice of which is set out in the Annual Report, will be held at 10.30 a.m. on 28 January 2019 at 66 Kallang Pudding Road, Hor Kew Business Centre, #07-01 for the purpose of considering, and if thought fit, passing with or without any modifications, the ordinary resolutions set out in the Notice of AGM.

8. ACTIONS TO BE TAKEN BY SHAREHOLDERS

Shareholders who are unable to attend the AGM and who wish to appoint a proxy to attend and vote at the AGM on their behalf should complete, sign and return the proxy form attached to the Notice of AGM in accordance with the instructions printed thereon as soon as possible and in any event so as to arrive at the Company's registered office at 66 Kallang Pudding Road, #05-01 Hor Kew Business Centre, Singapore 349324 not less than 48 hours before the time fixed for the AGM. The appointment of a proxy by a Shareholder does not preclude him from attending and voting in person at the AGM if he wishes to do so. A Depositor shall not be regarded as a Shareholder entitled to attend the AGM and to speak and vote thereat unless he is shown to have Shares entered against his name in the Depository Register, as certified by the CDP, as at 72 hours before the AGM.

9. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents are available for inspection at the registered office of the Company during normal business hours from the date of this Appendix up to and including the date of the AGM:

(i) the Constitution of the Company;

(ii) the audited consolidated financial statements of the Group for the financial year ended 30 September 2018; and

(iii) the annual report of the Company for the financial year ended 30 September 2018.

Yours faithfully
For and on behalf of
Marco Polo Marine Ltd.

Lee Wan Tang
Executive Chairman

ANNEX

The IPT General Mandate

1. Chapter 9 of the Listing Manual

1.1 Chapter 9 of the listing manual (the "**Listing Manual**") of the Singapore Exchange Securities Trading Limited ("**SGX-ST**" or the "**Exchange**") governs transactions by a listed company, as well as transactions by its subsidiaries and associated companies that are considered to be at risk, with the listed company's interested persons. When this Chapter applies to a transaction and the value of that transaction alone or in aggregation with other transactions conducted with the interested person during the financial year reaches, or exceeds, certain materiality thresholds, the listed company is required to make an immediate announcement, or to make an immediate announcement and seek its shareholders' approval for that transaction.

1.2 Except for certain transactions which, by reason of the nature of such transactions, are not considered to put the listed company at risk to its interested person and hence are excluded from the ambit of Chapter 9 of the Listing Manual, immediate announcement and shareholders' approval would be required in respect of transactions with interested persons if certain financial thresholds, which are based on the value of the transaction as compared with the listed company's latest audited consolidated net tangible assets ("**NTA**") are reached or exceeded. In particular, shareholders' approval is required for an interested person transaction of a value equal to, or which exceeds:

(a) five per cent (5%) of the latest audited NTA of the listed company and its subsidiaries; or

(b) five per cent (5%) of the latest audited NTA of the listed company and its subsidiaries, when aggregated with other transactions entered into with the same interested person (on such term as construed under Chapter 9 of the Listing Manual) during the same financial year.

1.3 Based on the latest audited accounts of Marco Polo Marine Ltd ("**MPM**" or the "**Company**") and its subsidiaries and associated companies (the "**EAR Group**" or the "**Group**") for the financial year ended 30 September 2018, the NTA of the EAR Group was S$113,213,000. In relation to MPM, for the purposes of Chapter 9 of the Listing Manual, in the financial year ended 30 September 2018 and until such time as the audited accounts of the EAR Group for the financial year ending 30 September 2018 are published, five per cent (5%) of the latest audited NTA of the EAR Group would be S$5,660,650.

1.4 Chapter 9 of the Listing Manual permits a listed company, however, to seek a mandate from its shareholders for recurrent transactions of a revenue or trading in nature or those necessary for its day-to-day operations such as the purchase and sale of supplies and materials (but not in respect of the purchase or sale of assets, undertakings or businesses) that may be carried out with the listed company's interested persons.

1.5 Under the Listing Manual:

(a) a "**controlling shareholder**" means:

a person who:

(i) holds directly or indirectly fifteen per cent (15%) or more of the nominal amount of all voting shares in the Company. The Exchange may determine that a person who satisfies this paragraph is not a controlling shareholder; or

(ii) in fact exercises control over the company.

1. Chapter 9 of the Listing Manual (Continued)

1.5 Under the Listing Manual: (Continued)

(b) an "**entity at risk**" means:

(i) the listed company;

(ii) a subsidiary of the listed company that is not listed on the SGX-ST or an approved exchange; or

(iii) an associated company of the listed company that is not listed on the SGX-ST or an approved exchange, provided that the listed company and/or its subsidiaries (the "**listed group**"), or the listed group and its interested person(s), has control over the associated company;

(c) an "**interested person**" means a director, chief executive officer or controlling shareholder of the listed company or an associate of such director, chief executive officer or controlling shareholder;

(d) an "**associate**" in relation to an interested person who is a director, chief executive officer or controlling shareholder includes an immediate family member (that is, the spouse, child, adopted-child, step-child, sibling or parent) of such director, chief executive officer or controlling shareholder, the trustees of any trust of which the director/his immediate family, the chief executive officer/his immediate family or controlling shareholder/ his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object, and any company in which the director/his immediate family, the chief executive officer/his immediate family or controlling shareholder/his immediate family has an aggregate interest (directly or indirectly) of thirty per cent (30%) or more, and, where a controlling shareholder is a corporation, its subsidiary or holding company or fellow subsidiary or a company in which it and/or they have (directly or indirectly) an interest of thirty per cent (30%) or more;

(e) an "**approved exchange**" means a stock exchange that has rules which safeguard the interests of shareholders against interested person transactions according to similar principles of Chapter 9 of the Listing Manual; and

(f) an "**interested person transaction**" means a transaction between an entity at risk and an interested person.

2. Scope of the IPT General Mandate

2.1 The IPT General Mandate will cover the categories of transactions (the "**Interested Person Transactions**") as set out in Paragraph 4 below with the specified categories of MPM's interested persons (the "**Interested Persons**") set out in Paragraph 3.1 below.

2.2 The IPT General Mandate will not cover any Interested Person Transaction which has a value of below S$100,000 as the threshold requirements of Chapter 9 of the Listing Manual would not apply to such transactions.

2.3 Transactions with the Interested Persons which do not fall within the ambit of the IPT General Mandate shall be subject to the relevant provisions of Chapter 9 of the Listing Manual.

3. Categories of Interested Persons

3.1 The IPT General Mandate applies to the Interested Person Transactions (as described in Paragraph 4 below) with the following Interested Persons, which are controlled by Mr. Lee Wan Tang, Mdm. Lai Qin Zhi, Mr. Sean Lee Yun Feng, Ms. Liely Lee and Ms. Lina Lee (the "Lee Family"). Mr. Lee Wan Tang (our Executive Chairman) is the husband of Mdm. Lai Qin Zhi. Mr. Sean Lee Yun Feng (our Chief Executive Officer), Ms. Liely Lee (our Alternate Director to Mr. Lee Wan Tang) and Ms. Lina Lee are the children of Mr. Lee Wan Tang and Mdm. Lai Qin Zhi:

(a) PT. Bina Riau Jaya and its associates ("**BRJ**");

(b) Mount Kawi Pte Ltd and its associates; and

(c) PT. Sempurna Readymix Concrete and its associates ("**SRC**").

3.2 Transactions with interested persons which do not fall within the ambit of the IPT General Mandate shall be subject to the relevant provisions of Chapter 9 of the Listing Manual.

4. Categories of the Interested Person Transactions

The Interested Persons Transactions with Interested Persons (as described in Paragraph 3.1 above) which will be covered by the IPT General Mandate are set out below:

(a) Services provided by the EAR Group to Interested Persons

(i) Ship chartering services

The EAR Group has been providing ship chartering services to BRJ to transport mining products such as granite mix aggregates and coal since 1991. It is intended that the EAR Group will continue to provide such ship chartering services to BRJ in the future. In addition, the EAR Group may provide ship chartering services to other Interested Persons from time to time.

(ii) Ship repair and ship maintenance services

In the event that any Interested Persons acquires any vessels (both newly built and reflagged vessels) pursuant to the sale and/or lease back arrangements with the EAR Group, such companies may look to the EAR Group to provide ship repair and ship maintenance services.

(b) Services provided by Interested Persons to the EAR Group

(i) Sale of building materials such as concrete, pre-cast products, asphalt, granite mix aggregates and pilings

SRC is principally engaged in the processing and trading of ready-mix concrete while BRJ is principally engaged in the quarrying of granites. From time to time, the EAR Group purchases from SRC and BRJ building materials such as concrete, pilings and granite for the construction of facilities at its yard.

4. **Categories of the Interested Person Transactions (Continued)**

(b) **Services provided by Interested Persons to the EAR Group (Continued)**

(ii) Ship agency and ship management services for transhipment services, offshore supply vessels and other functions (including handling various shipping administration, immigration, licensing as well as customs and clearance matters)

In the event that any Interested Persons provides the EAR Group with ship agency services in relation to the EAR Group's provision of ship chartering and transhipment services, including assisting the EAR Group in handling various shipping administration, immigration, licensing as well as customs and clearance matters in Indonesia. It is possible that the EAR Group may utilise such services, and vice versa, the EAR Group may provide such services to any Interested Persons, in the future. The EAR Group may also enter into a standard ship management agreement with any Interested Persons to provide ship management services to its offshore supply vessels.

(iii) Sourcing of vessel crew

Where transactions involving the sourcing of vessel are in the interests of the EAR Group, the EAR Group may seek such services from any Interested Persons, and vice versa, the EAR Group may provide such services to any Interested Persons, in the future.

(c) **Other transactions**

(i) Sale of existing vessels

It is envisaged that in the future, the EAR Group may enter into sale arrangements with any Interested Persons in respect of existing vessels which have undergone a period of prior utilization by the EAR Group.

(ii) Sale and/or lease back of newly built vessels

It is envisaged that in the future, the EAR Group may sell newly built vessels to any Interested Persons and/or thereafter lease such vessels back from such Interested Persons for an agreed period of time.

(iii) Provision of corporate guarantees

When any Interested Persons purchases vessels from the EAR Group or jointly controlled entity partner, such Interested Persons may obtain financing support to fund such purchases. In consideration of the extension of loans to such Interested Persons for payment to the EAR Group, the financing banks may require certain entities in the EAR Group, in particular, the Company, to provide corporate guarantees.

5. **Rationale for and Benefits of the IPT General Mandate**

5.1 **Rationale**

It is anticipated that in the ordinary course of business, transactions of a revenue or trading nature between companies in the EAR Group and the Interested Persons are likely to occur from time to time. Such transactions would include, but are not limited to the provisions of goods and services in the ordinary course of business of the EAR Group to MPM's interested persons or the obtaining of goods and services from them.

5. **Rationale for and Benefits of the IPT General Mandate (Continued)**

5.1 **Rationale (Continued)**

In view of the time-sensitive nature of commercial transactions, the obtaining of the IPT General Mandate pursuant to Chapter 9 of the Listing Manual will enable:

(a) MPM;

(b) Subsidiaries of MPM; and

(c) Associated companies of MPM over which the Group, or the Group and interested person(s) of MPM, has or have control,

(together, the "**EAR Group**"), or any of them, in the ordinary course of their businesses, to enter into the Interested Person Transactions set out in Paragraph 4 above with the specified categories of Interested Persons set out in Paragraph 3.1 above, provided such Interested Person Transactions are made on normal commercial terms and are not prejudicial to the interests of the Company and its minority shareholders.

The IPT General Mandate (and its subsequent renewal thereafter on an annual basis) will enhance the ability of companies in the EAR Group to pursue business opportunities which are time-sensitive in nature, and will eliminate the need for MPM to announce, or to announce and convene separate general meetings on each occasion to seek Shareholders' prior approval for the entry by the relevant company in the EAR Group into such transactions. This will substantially reduce the expenses associated with the convening of general meetings on an ad hoc basis, improve administrative efficacy considerably, and allow manpower resources and time to be channelled towards attaining other corporate objectives.

5.2 **Benefits**

Our Directors are of the view that it will be beneficial to the EAR Group to transact with the Interested Persons in relation to the aforementioned categories of Interested Person Transactions, for the following reasons:

(a) Services provided by the EAR Group to Interested Persons

(i) Ship chartering services

The EAR Group has been chartering vessels to BRJ which requires such vessels to transport mining products such as granite mix aggregates and coal. Such chartering services comprise a substantial portion of the EAR Group's ship chartering business. We believe that it is in the best interests of the EAR Group to continue to provide such services to BRJ.

(ii) Ship repair and ship maintenance services

In addition to building ships, we carry on the business of ship repair and ship maintenance at our established shipyard. In the event that any company controlled by the Lee Family acquires any vessels (both newly built and reflagged vessels) pursuant to the sale and/or lease back arrangement with the EAR Group, it would be to the benefit of the EAR Group to provide ship repair and maintenance services for such vessels.

5. **Rationale for and Benefits of the IPT General Mandate (Continued)**

5.2 **Benefits (Continued)**

(b) Services provided by Interested Persons to the EAR Group

(i) Sale of building materials such as concrete, pre-cast products, asphalt, granite mix aggregates and pilings

The EAR Group purchases building materials such as concrete, pilings and granite from SRC and BRJ for the construction of facilities at our shipyard, which is currently underway. If EAR Group is required to obtain such materials from another party, we may not be able to obtain comparable prices as those provided by SRC and BRJ without a substantial bulk purchase. Further, sourcing for new suppliers may result in delay in the completion of the shipyard.

(ii) Ship agency and ship management services for transhipment services, offshore supply vessels and other functions (including handling various shipping administration, immigration, licensing as well as customs and clearance matters)

Over the years, we believe that the EAR Group has developed good relationships with the Interested Persons. In the event that the EAR Group is required to obtain ship agency services (including procuring another party to enter into transhipment contracts on our behalf) from an unrelated third party, we would have to develop a new relationship with such unrelated third party and may not be able to obtain comparable rates or quality of service from such unrelated third party. Conversely, the EAR Group will be able to benefit from providing its expertise and services to any interested Persons in relation to managing of offshore supply vessels, customs and clearance matters outside Indonesia.

(iii) Recruitment of crew

We believe that it is beneficial to the EAR Group to have the option of having the Interested Persons source Indonesian vessel crew for our vessels. Conversely, the EAR Group will be able to benefit from providing recruitment services to the Interested Persons in the event such Interested Persons require help in sourcing for non-Indonesian crew.

(c) Other transactions

(i) Sale of existing vessels

The Indonesian-incorporated companies within the Group are subject to the cabotage principle, whereby domestic sea transportation in Indonesian waters is to be conducted only by Indonesian-flagged vessels, which in turn may only be owned by Indonesian companies. This has been strictly implemented since 2005. While none of the entities in the EAR Group are able to own Indonesian-flagged vessels, the entities in the Interested Persons are able to. The EAR Group, through the Interested Persons, will thus be able to leverage upon the Interested Persons' Indonesian contacts in, inter alia, the sale and ownership of the EAR Group's vessels and in various other transactions/projects in Indonesia. The sale of vessels from the EAR Group to the Interested Persons will enable both parties to be competitive in tendering for transactions/projects in the respective regions in which the parties operate. Consequently, the EAR Group will be able to enjoy the financial rewards of securing such transactions/projects, regardless as to whether such transactions/projects are secured by the EAR Group or the Interested Persons.

For the avoidance of doubt, the proceeds from any such sale of vessel from the EAR Group to any Interested Persons will be booked by the relevant entity within the EAR Group as revenue.

5. Rationale for and Benefits of the IPT General Mandate (Continued)

5.2 Benefits (Continued)

(c) Other transactions (Continued)

(ii) Sale and/or lease back of newly built vessels

This sale and lease back arrangement serves a two-pronged purpose. Firstly, it allows us to improve our cash flow, while expanding the fleet size that we are currently operating since we will continue to have the full commercial and operational control of our vessels. In this way, we are able to deploy capital more efficiently towards developing our existing businesses and acquiring new related businesses. Secondly, by adopting the sale and/or lease back strategy, the EAR Group is able to operate on Indonesian-flagged vessels and avail itself of the cost benefits (such as reduced tax and duties) accorded to such vessels. We believe that it is beneficial to the EAR Group to embark on such a strategy. In addition, the EAR Group would also be able to benefit from the sale of its newly built vessels to the Interested Persons for reasons similar to those set out in Paragraph 5.2(c)(i) above.

For the avoidance of doubt, the proceeds from any such sale of vessel from the EAR Group to any Interested Persons will be booked by the relevant entity within the EAR Group as revenue.

(iii) Provision of corporate guarantees

It is in the interest of the EAR Group to provide corporate guarantees to the Interested Persons when necessary, as this facilitates the EAR Group's or its Joint Controlled Entity partner sale and/or lease back transactions with the Interested Persons, in certain circumstances when the lending bank/banks require the EAR Group to provide corporate guarantees pursuant to the sale and/or lease back arrangements described above.

6. Guidelines and Review Procedures under the IPT General Mandate

6.1 Review Procedures

We have implemented the following procedures to supplement existing internal control procedures to ensure that Interested Person Transactions are undertaken on an arm's length basis and on normal commercial terms and are not prejudicial to the interests of our Company and our minority Shareholders and are consistent with our usual business practice and policies, which are generally no more favourable to the Interested Persons than those extended to unrelated third parties (and where applicable, vice versa, such that the terms extended by the Interested Persons to, and accepted by, the EAR Group are no less favourable than those extended to unrelated third parties):

(a) When selling items (other than vessels) or supplying services to an Interested Person, the price and terms of other successful sales of a similar nature to third party non-interested person will be used in comparison to ensure that the interests of our Company and minority Shareholders are not disadvantaged. The sale or fee for the supply of services shall not be lower than the lowest sale or fee of the latest two successful transactions with third party non-interested persons. In the case of the provision of ship repair and maintenance services, the required amount of repairs shall be guided by an independent class surveyor.

6. **Guidelines and Review Procedures under the IPT General Mandate (Continued)**

6.1 **Review Procedures (Continued)**

(b) When purchasing items from or engaging the services of an Interested Person, two other quotations from third party non-interested persons will be obtained (where available or feasible) for comparison to ensure that the interest of Company and minority Shareholders are not disadvantaged. The purchase price or fee for services shall not be higher than the most competitive price or fee of the other two quotations from third party non-interested persons. In determining the most competitive price or fee, all pertinent factors, including but not limited to quality, delivery time, standard of services, specification compliance, track record, experience and expertise, and where applicable, preferential rates, rebates or discounts accorded for bulk purchase will be taken into consideration.

(c) When chartering vessels to an Interested Person, our Group Finance Manager shall take appropriate steps, or procure that appropriate steps are taken, to ensure that the charter rates will be commensurate with the prevailing market rates, including adopting measures such as making relevant enquiries with owners of similar vessels. The charter rates payable shall be based on the most competitive market rental rate of similar vessel in terms of capacity and size, based on the results of the relevant enquiries.

(d) When selling vessels to an Interested Person (pursuant to (i) the sale of existing vessels or (ii) the sale and/ or lease back of new vessels), the price of the vessels shall be based on the valuation report provided by an independent third party to ensure that the interests of our Company and minority Shareholders are not disadvantaged. When leasing back vessels, our Group Finance Manager shall take appropriate steps to ensure that the charter rate will be commensurate with the prevailing market rates, including adopting measures such as making relevant enquiries with owners of similar vessels. The charter rates payable shall be based on the most competitive market rental rate of similar vessel in terms of capacity and size, based on the results of the relevant enquiries.

(e) For the provision of corporate guarantees to an Interested Person, our Group Finance Manager shall ensure that the corporate guarantees are provided to such Interested Person solely to facilitate the Interested Person to purchase vessels from the EAR Group or its jointly controlled entity partner. At the inception of the corporate guarantee, an annual fee will be levied on and payable by the Interested Person to the entity in the EAR Group providing such corporate guarantee for the duration of the guarantee, and such fee shall be payable at the end of each year based on the outstanding guarantee amount. Such fee payable shall not be lower than the lowest of at least two of the prevailing banker's guarantees rates which the EAR Group obtains from its banks.

(f) In cases where it is not possible to obtain comparable terms from other unrelated third parties, our Audit Committee will consider whether the pricing of the transaction is in accordance with usual business practices and pricing policies and consistent with the usual margins to be obtained for the same or substantially similar types of transactions to determine whether the relevant transaction is undertaken on an arm's length basis and on normal commercial terms. The Audit Committee will also weigh the benefits of, and rationale for, transacting with the Interested Person to determine whether the price and terms offered are fair and reasonable.

6. Guidelines and Review Procedures under the IPT General Mandate (Continued)

6.2 Threshold Limits

In addition, to supplement our internal procedures to ensure that all Interested Person Transactions covered by the IPT General Mandate will be carried out on normal commercial terms and will not be prejudicial to the interests of the EAR Group and the minority Shareholders, the following limits for all Interested Person Transactions will be applied:

In respect of any Interested Person Transaction:

(a) Where an individual transaction, in connection with the provision of ship repair and maintenance services or the sale and/or lease back of vessels (both newly build and reflagged and reflagged vessels) (the "**Big Ticket Transaction**"), is below one point five per cent (1.5%) of the EAR Group's latest audited NTA or in connection with any individual transaction other than a Big Ticket Transaction is below S$200,000, such a transaction shall be reviewed by our Audit Committee within one (1) month from the end of the month in which the transaction was entered into. However, prior to entering into such a transaction, the Group Finance Manager, being the person designated to monitor all Interested Person Transactions, provided he/she is not to be an Interested Person or an Associate of an Interested Person, will ensure that all relevant documents in connection with the transaction are in order. If the Group Finance Manager is an Interested Person or an Associate of an Interested Person, the Finance Manager of the Company will monitor all Interested Person Transactions.

(b) Where an individual transaction, in connection with the Big Ticket Transaction, is equal to or exceeds one point five per cent (1.5%) of the EAR Group's latest audited NTA or in connection with any individual transaction other than a Big Ticket Transaction is S$200,000 or above, such a transaction will be subject to prior approval by our Audit Committee prior to such transaction being entered into.

(c) Where such Interested Person Transaction is in respect of the provision of corporate guarantees by the EAR Group for the purchase of vessels by Interested Persons, the guarantee amount shall be capped at eight per cent (80%) of the aggregate purchase price of the vessels to be purchased from the EAR Group.

(d) In the absence of comparable quotes from other unrelated third parties, the Audit Committee would review each transaction in connection with the Big Ticket Transaction that is below one point five per cent (1.5%) of the EAR Group's latest audited NTA or in connection with any individual transaction other than a Big Ticket Transaction that is below S$200,000 within one (1) month from the end of the month in which the transaction was entered into. However, prior to entering into such a transaction, the Group Finance Manager, being the person designated to monitor all Interested Person Transactions, provided he/she is not to be an Interested Person or an Associate of an Interested Person, will, in consultation with the Audit Committee, ensure that the pricing of the transaction is in accordance with the usual business practices and pricing policies and consistent with the usual margins to be obtained for the same or substantially similar types of transactions. If the Group Finance Manager is an Interested Person or an Associate of an Interested Person, the Finance Manager of the Company will monitor all Interested Person Transactions. In the absence of comparable quotes from other unrelated third parties for an individual transaction in connection with a Big Ticket Transaction, with value equals to or exceeds one point five per cent (1.5%) of the EAR Group's latest audited NTA, or in connection with any individual transaction other than a Big Ticket Transaction with value equals to S$200,000 or more, such a transaction will be subject to prior approval by our Audit Committee prior to such transaction being entered into.

6.3 In the event that a member of the Audit Committee is interested in any Interested Person Transaction, he will declare his interest and abstain from any review, deliberation or decision making in respect of that particular transaction.

6. Guidelines and Review Procedures under the IPT General Mandate (Continued)

6.4 Designated persons of the respective companies are required to submit details of all Interested Person Transactions entered into immediately to the Group Finance Manager, including the value of the transactions. As a minimum, a report is to be submitted every quarter. A “Nil” return is expected if there is no interested person transaction. For monitoring purposes, the Group Finance Manager will maintain a register of Interested Person Transactions (the “**IPT Register**”). This IPT Register will be updated quarterly based on submissions by the designated persons. It will record all Interested Person Transactions which are entered into pursuant to the IPT General Mandate (including the basis on which they are entered into) and the approval or review by the Audit Committee.

6.5 The Audit Committee will review all Interested Person Transactions (including those Interested Person Transactions which have a value below S$100,000) recorded in the IPT Register at least quarterly to ensure that they are carried out on normal commercial terms and in accordance with the procedures outlined above. All relevant non-quantitative factors will also be taken into account. Such review includes the examination of the transaction and its supporting documents or such other information deemed necessary by our Audit Committee. Our Audit Committee may request for any additional information pertaining to the transaction under review from independent sources, advisers or valuers as they deem fit.

6.6 Further, our Audit Committee will review the threshold limits (be it in absolute dollar amount or as a percentage of the latest prevailing audited consolidated NTA of the Group) annually to assure that they are not prejudicial to the interests of the Group and the minority Shareholders. Our Audit Committee will also review the reports submitted by the Group Finance Manager on a quarterly basis to ascertain that the guidelines and procedures established to monitor Interested Person Transactions have been complied with and the relevant approvals obtained. In addition, our Audit Committee shall also review from time to time such guidelines and procedures to determine if they are adequate and/or commercially practicable in ensuring that transactions between the EAR Group and the Interested Persons are conducted on normal commercial terms. Pursuant to Rule 920(1) (b)(iv) and (vii) of the Listing Manual, if during its periodic reviews, the Audit Committee believes that the guidelines and procedures as stated above are inappropriate or not sufficient to ensure that Interested Person Transactions will be carried out on an arm’s length basis and on normal commercial terms and will not be prejudicial to the interests of our Company and our minority Shareholders, we will seek a fresh mandate from our Shareholders based on new guidelines and procedures. During the period prior to obtaining a fresh mandate from our Shareholders, all transactions with Interested Persons will be subject to prior review and approval by our Audit Committee.

6.7 Our Audit Committee is of the view that the above guidelines and procedures are sufficient to ensure that these Interested Person Transactions will be on an arm’s length basis and on normal commercial terms and will not be prejudicial to the interests of our Company and our minority Shareholders.

7. Guidelines and Review Procedures for future Interested Person Transactions other than those covered in the IPT General Mandate

7.1 To ensure that interested person transactions not covered by the IPT General Mandate are undertaken on an arm’s length’s basis, on normal commercial terms and will not be prejudicial to our Company and minority Shareholders, our Audit Committee will adopt the following procedures when reviewing such interested person transactions:

(a) When selling items or supplying services to an interested person, the price and terms of other successful sales of a similar nature to third party non-interested persons will be used in comparison to ensure that the interests of our Company and minority Shareholders are not disadvantaged. The sale or fee for the supply of services shall not be lower than the lowest sale or fee of the latest two successful transactions with third party non-interested persons.

7. Guidelines and Review Procedures for future Interested Person Transactions other than those covered in the IPT General Mandate (Continued)

7.1 To ensure that interested person transactions not covered by the IPT General Mandate are undertaken on an arm's length's basis, on normal commercial terms and will not be prejudicial to our Company and minority Shareholders, our Audit Committee will adopt the following procedures when reviewing such interested person transactions: (Continued)

(b) When purchasing items from or engaging the services of an interested person, two other quotations from third party non-interested persons will be obtained (where available or feasible) for comparison to ensure that the interest of our Company and minority Shareholders are not disadvantaged. The purchase price or fee for services shall not be higher than the most competitive price or fee of the other two quotations from third party non-interested persons. In determining the most competitive price or fee, all pertinent factors, including but not limited to quality, delivery time, standard of services, specification compliance, track record, experience and expertise, and where applicable, preferential rates, rebates or discounts accorded for bulk purchase will be taken into consideration.

7.2 In the event that it is not possible for such quotations to be obtained, our Audit Committee will determine whether the prices and terms offered by or to the interested persons are fair and reasonable and the terms of supply from or to the interested persons are made on normal commercial terms and are not prejudicial to the interests of our Company and our minority Shareholders.

7.3 In addition, any interested person transaction of a value equal to or exceeding three per cent (3%) of the EAR Group's latest audited NTA must be approved by our Audit Committee prior to its entry and any interested person transaction of a value equal to or exceeding five per cent (5%) of the EAR Group's latest audited NTA is subject to the approval of Shareholders at general meetings prior to its entry.

7.4 The designated persons of the respective companies, who are required to submit details of all interested person transactions to the Group Finance Manager, are to submit similar details to the Group Finance Manager in respect of all interested person transactions not covered under the IPT General Mandate. The Group Finance Manager will similarly maintain a register similar to the IPT Register in respect of all interested person transactions other than those covered under the IPT General Mandate.

7.5 Our Audit Committee will review all such interested person transactions, if any, on a quarterly basis through reporting by the Group Finance Manager to ensure that they are carried out at arm's length and in accordance with the procedures outlined above. It will take into account all relevant non-quantitative factors. In the event that a member of the Audit Committee is interested in any such interested person transaction, he will abstain from reviewing that particular transaction. Furthermore, if during these periodic reviews, the Audit Committee believes that the guidelines and procedures as stated above are not sufficient to ensure that interests of our Company and minority Shareholders are not prejudiced, we will adopt new guidelines and procedures.

In addition, our Audit Committee will include the review of such interested person transactions as part of its standard procedures while examining the adequacy of our internal controls. Our Board will also ensure that all disclosure, approval and other requirements on interested person transactions, including those required by prevailing legislation, the Listing Manual and accounting standards, are complied with. In addition, such transactions will also be subject to Shareholders' approval if deemed necessary by the Listing Manual.

8. Validity Period of the IPT General Mandate

The IPT General Mandate will take effect from the passing of the ordinary resolution relating thereto, and will (unless revoked or varied by the Company in general meeting) continue in force until the date on which the next annual general meeting of the Company is held or is required by law to be held. Approval from Shareholders will be sought for the renewal of the IPT General Mandate at the next annual general meeting and at each subsequent annual general meeting subject to satisfactory review by the Audit Committee of its continued application to the transactions with Interested Persons.

9. Disclosure of Interested Person Transactions pursuant to the IPT General Mandate

The Company will announce the aggregate value of transactions conducted with Interested Persons pursuant to the IPT General Mandate for the quarterly financial periods which the Company is required to report on pursuant to the Listing Manual and within the time required for the announcement of such report.

The Company is required, in accordance with the requirement of Chapter 9 of the Listing Manual, to disclose in our annual report the aggregate value of transactions conducted pursuant to the IPT General Mandate during the financial year, as well as in the annual reports for the subsequent financial years during which the IPT General Mandate is in force.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Thirteenth Annual General Meeting of the Company will be held at 66 Kallang Pudding Road #07-01 Singapore 349324 on Monday, 28 January 2019 at 10:30 a.m. to transact the following business:-

AS ORDINARY BUSINESS

1. To receive and adopt the Audited Financial Statements for the financial year ended 30 September 2018 together with the Directors' Statement and the Independent Auditor's Report thereon.
(Resolution 1)

2. To approve the payment of Directors' Fees of S$235,000 for the financial year ending 30 September 2019. (2018: S$213,400)
(Resolution 2)

3. To re-elect the following Directors who are retiring by rotation pursuant to Regulation 103 of the Constitution of the Company:

   (i) Mr Sean Lee Yun Feng, **(Resolution 3)**

   (ii) Mr Lee Kiam Hwee Kelvin. **(Resolution 4)**

4. To re-elect the following Directors who are retiring by rotation pursuant to Regulation 107 of the Constitution of the Company:

   (i) Mr Tan Hai Peng Micheal, **(Resolution 5)**

   (ii) Mr Jeffrey Hing Yih Peir, **(Resolution 6)**

   (iii) Mr Teo Junxiang, Darren. **(Resolution 7)**

5. To re-appoint Mazars LLP as Independent Auditor of the Company and to authorise the Directors to fix their remuneration.
(Resolution 8)

AS SPECIAL BUSINESS

To consider, and if thought fit, to pass the following Ordinary Resolutions (with or without any modifications):

6. Authority to allot and issue shares and/or convertible securities **(Resolution 9)**

   "That pursuant to Section 161 of the Companies Act, Chapter 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited, authority be and is hereby given to the Directors of the Company to issue:-

   (i) shares in the capital of the Company whether by way of rights, bonus or otherwise or;

   (ii) convertible securities; or

   (iii) additional convertible securities arising from adjustments made to the number of convertible securities previously issued in the event of rights, bonus or capitalisation issues; or

   (iv) shares arising from the conversion of convertible securities, at any time and upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit provided that:-

(i) the aggregate number of shares and convertible securities that may be issued shall not be more than 50% of the issued shares in the capital of the Company or such other limit as may be prescribed by the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") as at the date the general mandate is passed;

(ii) the aggregate number of shares and convertible securities to be issued other than on a pro-rata basis to existing shareholders shall not be more than 20% of the issued shares in the capital of the Company or such other limit as may be prescribed by the SGX-ST as at the date the general mandate is passed;

(iii) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraphs (i) and (ii) above, the percentage of issued shares shall be calculated based on the issued shares in the capital of the Company as at the date the general mandate is passed after adjusting for new shares arising from the conversion or exercise of any convertible securities or employee stock options in issue as at the date the general mandate is passed and any subsequent consolidation or subdivision of the Company's shares; and

(iv) unless earlier revoked or varied by the Company in general meeting, such authority shall continue in force until the next Annual General Meeting or the date by which the next Annual General Meeting is required by law to be held, whichever is earlier.

7. Authority to allot and issue shares under the Marco Polo Marine Ltd. Restricted Share Scheme and Performance Share Scheme

(Resolution 10)

That the Directors of the Company be hereby authorised to offer and grant awards ("**Awards**") in accordance with the provisions of the Marco Polo Marine Ltd. Restricted Share Scheme and Performance Share Scheme (collectively, the "**ESAS Schemes**") and to allot and issue or deliver from time to time such number of fully-paid shares as may be required to be issued or delivered pursuant to the vesting of the Awards under the ESAS Schemes, provided that:

(a) the aggregate number of shares to be issued pursuant to the ESAS Schemes shall not exceed three point-five per cent (3.5%) of the total issued share capital of the Company as at 30 September 2018; and

(b) the aggregate number of shares to be issued pursuant to the ESAS Schemes, when added to the number of shares issued and/or issuable under other share-based incentive schemes of the Company, shall not exceed fifteen per cent (15%) of the total number of the issued shares (excluding treasury shares) in the capital of the Company from time to time and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.

8. Authority to allot and issue shares under the Marco Polo Marine Ltd. Employee Share Option Scheme

(Resolution 11)

That the Directors of the Company be hereby authorised and empowered to offer and grant options in accordance with the rules of the Marco Polo Marine Ltd. Employee Share Option Scheme (the "**ESOS Scheme**") and to issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the exercise of options granted by the Company under the ESOS Scheme, whether granted during the subsistence of this authority or otherwise, provided always that the aggregate number of additional ordinary shares to be issued pursuant to the ESOS Scheme, when added to the number of shares issued and/or issuable under other share-based incentive schemes of the Company, shall not exceed fifteen per cent (15%) of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.

9. Proposed Renewal of the IPT General Mandate **(Resolution 12)**

That:

(a) approval be and is hereby given for the renewal of the mandate for the purpose of Chapter 9 of the Listing Manual of the SGX, for the Company, its subsidiaries and its associated companies, or any of them, to enter into any of the transactions falling within the types of Interested Person Transactions, as set out in Annex to the Appendix dated 11 January 2019 to the Annual Report (the "**Appendix**"), with any party who falls within the classes of Interested Persons as described in the Annex to the Appendix and that such approval shall, unless revoked or varied by the Company in general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company;

(b) the Audit Committee of the Company be and is hereby authorised to take such action as it deems proper in respect of procedures and to implement such procedures as may be necessary to take into consideration any amendment to Chapter 9 of the Listing Manual which may be prescribed by the SGX-ST from time to time;

(c) any of the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary or in the best interest of the Company to give effect to the transactions contemplated by this Resolution; and

(d) such approval shall, unless earlier revoked or varied by the Company in general meeting, continue to be in force until the next Annual General Meeting of the Company is held or is required by law to be held, whichever is earlier.

By Order of the Board

Lawrence Kwan
Secretary

Singapore, 11 January 2019

Explanatory notes on Ordinary Business to be transacted:

Resolution 2. The proposed Directors' fee is payable to the Independent Directors and Non-Executive Directors of the Company

Resolution 3. Mr Sean Lee Yun Feng will, upon re-election as a Director of the Company, continue to serve as Executive Director and Chief Executive Officer of the Company.

Resolution 4. Mr Lee Kiam Hwee Kelvin will, upon re-election as a Director of the Company, continue to serve as Independent Director, Member of the Nominating Committee and Member of the Audit Committee. Mr Lee Kiam Hwee Kelvin is considered independent for the purposes of Rule 704(8) of the Listing Manual of the SGX-ST.

Resolution 5. Mr Tan Hai Peng Micheal will, upon re-election as a Director of the Company, continue to serve as Independent Director, Chairman of the Remuneration Committee and Member of the Audit Committee. Mr Tan Hai Peng Micheal is considered independent for the purposes of Rule 704(8) of the Listing Manual of the SGX-ST.

Resolution 6. Mr Jeffrey Hing Yih Peir will, upon re-election as a Director of the Company, continue to serve as Non-Executive Director of the Company.

Resolution 7. Mr Teo Junxiang, Darren will, upon re-election as a Director of the Company, continue to serve as Non-Executive Director and Member of the Remuneration Committee.

Resolution 8. This resolution is to re-appoint Mazars LLP as Independent Auditor of the Company for the ensuing financial year and to authorise the Directors to fix their remuneration.

Explanatory notes on Special Business to be transacted:

Resolution 9. Is to empower the Directors of the Company to issue shares and convertible securities in the Company up to an amount not exceeding in aggregate 50% of the issued share capital (excluding treasury shares) of the Company of which the total number of shares and convertible securities issued other than on a pro-rata basis to existing shareholders shall not exceed 20% of the issued share capital (excluding treasury shares) of the Company at the time that Resolution 9 is passed, for such purposes as they consider would be in the interests of the Company. Rule 806(3) of the Listing Manual of Singapore Exchange Securities Trading Limited currently provides that the issued share capital (excluding treasury shares) of the Company for this purpose shall be the issued share capital (excluding treasury shares) at the time this resolution is passed (after adjusting for new shares arising from the conversion of convertible securities or share options on issue at the time this resolution is passed and any subsequent consolidation or subdivision of the Company's shares). This authority will, unless revoked or varied at a general meeting, expire at the next Annual General Meeting of the Company.

Resolution 10. If passed, is to authorise the Directors to offer and grant Awards under the ESAS Schemes and to allot and issue shares pursuant to the vesting of Awards under the ESAS Schemes, provided that the number of shares issued and issuable in respect of such Awards:-

a. shall not exceed three point-five per cent (3.5%) of the total issued share capital (excluding treasury shares) of the Company as at 30 September 2018; and

b. the aggregate number of shares to be issued pursuant to the ESAS Schemes, when added to the number of shares issued and/or issuable under other share-based incentive schemes of the Company, shall not exceed fifteen per cent (15%) of the issued shares of the Company from time to time.

Based on the issued share capital of the Company as at 30 September 2018, the total number of shares, which may be issued or issuable in respect of such Awards, is 123,211,492 shares.

Resolution 11. If passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares in the Company pursuant to the exercise of options granted or to be granted under the ESOS Scheme up to a number not exceeding in aggregate, when added to the number of shares issued and/or issuable under other share-based incentive schemes of the Company, fifteen per centum (15%) of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time.

Resolution 12. If passed, renews the General Mandate authorising the Directors of the Company to enter into certain interested person transactions with persons who are considered "interested persons" (as defined in Chapter 9 of the Listing Manual of the Singapore Exchange Securities Trading Limited).

Notes:

1. A Member (other than a Relevant Intermediary*) entitled to attend and vote at the Annual General Meeting may appoint not more than two (2) proxies to attend and vote in his/her stead. A Member which is a corporation is entitled to appoint its authorised representative or proxy to vote on its behalf. A proxy need not be a Member.

2. Where a Member (other than a Relevant Intermediary*) appoints two (2) proxies, he or she shall specify the proportion of his or her shareholding to be represented by each proxy in the instrument appointing the proxies.

3. A Relevant Intermediary* may appoint more than two (2) proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number and class of shares shall be specified).

4. If a proxy is to be appointed, the instrument appointing a proxy must be duly deposited at the registered office of the Company's share registrar, B.A.C.S. Private Limited, at 8 Robinson Road, #03-OO ASO Building, Singapore 048544, not later than 48 hours before the time appointed for the holding of the Annual General Meeting.

5. The instrument appointing a proxy must be signed by the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy is executed by a corporation, it must be executed either under its common seal or under the hand of any officer or attorney duly authorised.

6. A Depositor's name must appear on the Depository Register maintained by The Central Depository (Pte) Limited as at 72 hours before the time fixed for holding the Annual General Meeting in order for the Depositor to be entitled to attend and vote at the Annual General Meeting.

* A Relevant Intermediary is:

a) a banking corporation licensed under the Banking Act (Chapter 19) of Singapore or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or

b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Chapter 289) of Singapore and who holds shares in that capacity; or

c) the Central Provident Fund Board established by the Central Provident Fund Act (Chapter 36) of Singapore, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing and administration by the Company (or its agents or service providers) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/ or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents or service providers), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes (the "Warranty"), and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of Warranty.

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MARCO POLO MARINE LTD.
(Incorporated in the Republic of Singapore)
Company Registration No. 200610073Z

ANNUAL GENERAL MEETING
PROXY FORM

IMPORTANT

(1) Pursuant to Section 181(1C) of the Companies Act, Cap. 50 of Singapore (the "**Act**"), a Relevant Intermediary (as defined in the Act) may appoint more than two (2) proxies to attend, speak and vote at the Annual General Meeting (the "**AGM**").
(2) An investor who holds shares under the Central Provident Fund Investment Scheme ("**CPF Investor**") and/or the Supplementary Retirement Scheme ("**SRS Investor**") (as may be applicable) may attend and cast his vote(s) at the AGM in person. CPF and SRS Investors who are unable to attend the AGM but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the AGM to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the AGM.
(3) This Proxy Form is not valid for use by CPF and SRS investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
(4) CPF Investors and SRS Investors are requested to contact their respective agent banks for any queries they may have with regard to their appointment as proxies or the appointment of their agent banks as proxies for the AGM.

PERSONAL DATA PRIVACY:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 11 January 2019.

*I/We (Name)____ (NRIC/Passport/Co.Reg.No.)___________________________

of(Address)____

being a *member/ members of **MARCO POLO MARINE LTD.** (the **"Company"**), hereby appoint:

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

*and/or

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing *him/her/them, or if no person is named above, the Chairman of the Annual General Meeting (the "AGM"), as *my/our *proxy/proxies to attend, speak and vote for *me/us and on *my/our behalf at the AGM of the Company to be held at 66 Kallang Pudding Road #07-01 Singapore 349324 on Monday, 28 January 2019 at 10:30 a.m. and at any adjournment thereof.

As Ordinary Resolutions			
Resolution No.	**Ordinary Business**	**For**	**Against**
1.	To receive and adopt the Audited Financial Statements for the financial year ended 30 September 2018 together with the Directors' Statement and the Independent Auditor's Report thereon.		
2.	To approve the payment of Directors' Fees of S$235,000 for the financial year ending 30 September 2019. (2018: S$213,400)		
3.	To re-elect Mr Sean Lee Yun Feng, a Director retiring by rotation pursuant to Regulation 103 of the Constitution of the Company.		
4.	To re-elect Mr Lee Kiam Hwee Kelvin, a Director retiring by rotation pursuant to Regulation 103 of the Constitution of the Company.		
5.	To re-elect Mr Tan Hai Peng Micheal, a Director retiring by rotation pursuant to Regulation 107 of the Constitution of the Company.		
6.	To re-elect Mr Jeffrey Hing Yih Peir, a Director retiring by rotation pursuant to Regulation 107 of the Constitution of the Company.		
7.	To re-elect Mr Teo Junxiang, Darren (Zhang Junxiang, Darren), a Director retiring by rotation pursuant to Regulation 107 of the Constitution of the Company.		
8.	To re-appoint Mazars LLP as Independent Auditor and to authorise the Directors to fix their remuneration.		
	Special Business		
9.	To authorise Directors to allot and issue shares and/or convertible securities pursuant to Section 161 of the Companies Act, Chapter 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited (the "SGX-ST")		
10.	To authorise Directors to allot and issue shares under the Marco Polo Marine Ltd. Restricted Share Scheme and Performance Share Scheme.		
11.	To authorise Directors to allot and issue shares under the Marco Polo Marine Ltd. Employee Share Option Scheme.		
12.	To approve the Proposed Renewal of the IPT General Mandate.		

(Voting will be conducted by poll. If you wish to vote all your shares "For" or "Against" the relevant resolution, please indicate with a "X" in the relevant box provided. Alternatively, if you wish to exercise your votes both "For" and "Against" the relevant resolution, please indicate the relevant number of shares in the relevant boxes provided above. In the absence of specific directions, the proxy/proxies will vote or abstain as he/she/they may think fit, as he/she/they will on any other matter arising at the AGM.)

Note: Please note that the short descriptions given above of the Ordinary Resolutions to be passed do not in any way whatsoever reflect the intent and purpose of the Ordinary Resolutions. The short descriptions have been inserted for convenience only. Shareholders are encouraged to refer to the Notice of AGM for the full purpose and intent of the Ordinary Resolutions to be passed.

Dated this _________________ day of _________________ 2019

____
Signature(s) of Member(s)/Common Seal of Corporate Member

Total number of Ordinary Shares in:	**Number of Ordinary Shares**
(a) CDP Register	
(b) Register of Members	

* Delete as appropriate

IMPORTANT: PLEASE READ NOTES OVERLEAF BEFORE COMPLETING THIS PROXY FORM

Notes: -

1. Except for a member who is a Relevant Intermediary as defined under Section 181(1C) of the Act, a member is entitled to appoint not more than two (2) proxies to attend, speak and vote at the meeting. Where a member appoints more than one (1) proxy, the proportion of his concerned shareholding to be represented by each proxy shall be specified in the proxy form.

2. Pursuant to Section 181(1C) of the Act, a member who is a Relevant Intermediary is entitled to appoint more than two (2) proxies to attend, speak and vote at the meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member appoints more than two (2) proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the proxy form.

3. A proxy need not be a member of the Company.

4. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Cap. 289 of Singapore), you should insert that number. If you have shares registered in your name in the Register of Members of the Company, you should insert that number. If you have shares entered against your name in the Depository Register and registered in your name in the Register of Members of the Company, you should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by you.

5. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company's share registrar, B.A.C.S. Private Limited, at 8 Robinson Road, #03-00 ASO Building, Singapore 048544, not less than 48 hours before the time set for the AGM.

6. The instrument appointing a proxy or proxies must be under the hand of the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or under the hand of its attorney or a duly authorised officer.

7. Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.

8. A corporation which is a shareholder may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the AGM, in accordance with the Constitution of the Company and Section 179 of the Act.

9. Subject to Note 11 below, the submission of an instrument or form appointing a proxy by a shareholder does not preclude him from attending and voting in person at the AGM if he so wishes.

10. The Company shall be entitled to reject the instrument appointing a proxy or proxies, if it is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the instrument appointing a proxy or proxies. In addition, in the case of shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies if a shareholder of the Company, being the appointor, is not shown to have shares entered against his/her name in the Depository Register as at 72 hours before the time appointed for holding the AGM, as certified by The Central Depository (Pte) Limited to the Company.

11. CPF Investors and/or SRS Investors who buy shares in the Company may attend and cast their vote at the meeting in person. CPF Investors and/or SRS Investors who are unable to attend the meeting but would like to vote, may inform CPF and/or SRS approved nominees to appoint Chairman of the AGM to act as their proxy, in which case, the CPF Investor and/ or SRS Investors shall be precluded from attending the meeting.

THE NEW HORIZONS

ANNUAL REPORT
2018

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