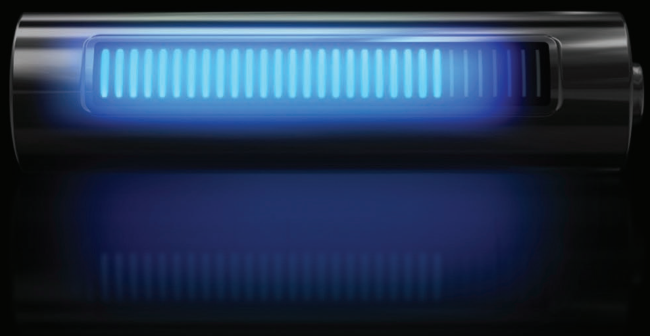
WE ARE READY



ANNUAL REPORT 2019

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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, Myanmar and Taiwan, 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.

MARCO POLO MARINE LTD
(Singapore)

* The Accounting and Corporate Registry of Singapore has given its approval for this company 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)

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)

Tan Hai Peng Micheal
Lee Kiam Hwee Kelvin

NOMINATING COMMITTEE

Tan Hai Peng Micheal (Chairman)

Lim Han Boon
Sean Lee Yun Feng

REMUNERATION COMMITTEE

Lee Kiam Hwee Kelvin (Chairman)

Lim Han Boon
Teo Junxiang, Darren

COMPANY SECRETARY
Kwan Hon 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

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 2019 ("FY2019").

A REVIEW OF FY2019

Notwithstanding the completion of the Group's refinancing and debt restructuring exercise in FY2018, the overall market conditions however have remained very challenging due to the uncertainty in oil prices as well as the continued oversupply of vessels. Against the backdrop of these challenges, the Group has, nevertheless, managed to grow its revenue by 14% to S$30.2 million in FY2019, primarily driven by the improvement in utilisation rates enjoyed by our fleet of offshore vessels and an increase in ship repair projects procured by our shipyard.

At the bottom-line, loss for the financial year totalled to S$3.9 million, as compared to a profit of S$169.0 million in FY2018 as there was a significant one-off gain of S$179.9 million arose from the debt restructuring exercise. Without the one-off gain, the adjusted total loss incurred by the Group for FY2018 would have been S$10.9 million which demonstrated an improvement of our results for the current financial year.

The performance achieved in FY2019 was attributed principally to the significant efforts put in by the management to explore new markets and business opportunities primarily around the South-East Asian region, whilst at the same time, continued to keep its operating costs low.

LOOKING AHEAD

The outlook for the offshore marine industry remains challenging and competitive for the next 12 months in view of the lingering vessel supply overhang and persistent anemic charter rates. Notwithstanding which, there are positive signs in recent times that such a downcast scenario appears to be gradually bottoming-out. The Group will continue to step up its marketing efforts to improve its performance as the oil market adjusts to the changing demand and supply conditions for the eventual recovery.

SUSTAINABILITY REPORT

In line with our commitment to sustainable business, we are pleased to publish our FY2019 sustainability report, released alongside with our Annual Report, which is prepared with reference to Global Reporting Initiative (GRI) standards and details our economic, social and environmental activities and performance for the financial year.

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 the many challenges during the year. 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 like to thank our Board members for their valuable contributions and guidance throughout the year. I am also 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.

Last of all, sadly, this will be my last message to our shareholders as Chairman of the Group. I have given notice to the Board that I do not wish to seek re-election as a Director and will retire as the Chairman of the Group at the conclusion of the forthcoming Annual General Meeting as I wish to take on a more passive role in the organisation. I am confident that, with the guidance of the remaining group of directors on board, the Group will continue to strive and remain resilient in FY2020 and beyond.

LEE WAN TANG
Executive Chairman

FINANCIAL AND OPERATIONAL REVIEW BY THE CEO

DEAR SHAREHOLDERS,

FINANCIAL REVIEW

Revenue
The Group's revenue for FY2019 vis-à-vis FY2018 is tabulated as follow:

	FY2019		FY2018		Change	
	S$'m	%	S$'m	%	S$'m	%
Ship Chartering	16.6	55	11.5	43	5.1	44
Ship Building & Repair	13.6	45	15.1	57	(1.5)	(10)
Total	30.2	100	26.6	100	3.6	14

The revenue for the Group's Ship Chartering Operations increased by 44% from S$11.5 million in FY2018 to S$16.6 million in FY2019. The increase was due mainly to due to higher utilisation of the Group's fleet of offshore vessels.

The revenue for the Ship Building & Repair Operations decreased by 10%, from S$15.1 million in FY2018 to S$13.6 million in FY2019, mainly due to a reduction in ship building projects albeit an increase in ship repair jobs.

PROFITABILITY
Overall, larger contributions from the Group's Ship Repair and Ship Chartering Operations have resulted in an increase in gross profit by 8% or S$0.4m from S$5.3 million in FY2018 to S$5.7 million in FY2019.

Other operating income of the Group decreased significantly from S$184.7 million in FY2018 to S$7.5 million in FY2019 attributed chiefly to the significant debts wavier income (resulting from the derecognized debts) recognized in FY2018.

The Group's other operating expenses decreased to S$5.2 million in FY2019 from S$7.3 million in FY2018, attributed largely to reduction in legal & professional expenses incurred in FY2019 (compared to FY2018) coupled with impairment losses on assets recognised in FY2018.

The finance costs of the Group decreased to a negligible amount in FY2019, from S$2.8 million in FY2018, 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 maintained at S$5.4 million in FY2018 and FY2019. The share of losses from jointly-controlled companies in FY2019 was mainly attributable to the share of losses of PT Pelayaran Nasional Bina Buana Raya ("PT BBR") and from the MPMT group of companies ("MPMT"), where the share of losses from MPMT was primiarly due to the loss on disposal of vessles recognised during the year.

As a result of the above, we registered a net loss attributed to owners of the Company of S$3.9 million in FY2019 compared to a net profit attributed to owners of the Company of S$169.0 million in FY2018. Excluding the one-off gain from the debt restructuring in 2018, the adjusted net loss incurred by the Group for FY2018 would have been S$10.9 million.

Excluding foreign exchange losses and extraordinary gains, the Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA) of the Group reversed from a negative S$3.9 million in FY2018 to a positive S$2.4 million in FY2019.

FINANCIAL POSITION

The net assets of the Group has decreased from S$113.2 million to S$108.8 million as the Group continue to incur losses during the financial year. Nevertheless, the Group's cash position remained healthy at S$13.6 million as at 30 September 2019 despite the significant efforts and resources that were channeled to resuscitate our fleet of vessels and to further develop the capabilities of our shipyard by way of a dry dock extension program.

The non-current assets of the Group decreased by S$5.7 million or 6% from S$99.1 million as at 30 September 2018 to S$93.4 million as at 30 September 2019. The decrease was mainly due to depreciation of vessels, share of losses in joint ventures and from the disposal of vessels, albeit a partial offset by advances to a joint venture entity. The advances to a joint venture entity relates to an extension of loan to fund the purchase of a vessel from the Group. Consequently, a deferred income in aggregate of S$3.4 million was also recognised in the balance sheet of the Group as a result of the disposal of a vessel to the joint venture.

In line with the increased in ship chartering activities as well as volume of ship repair jobs, the Group's receivables have increased from an aggregate amount of S$6.3 million as at 30 September 2018 to S$16.0 million as at 30 September 2019. Similarly, the Group's payables have increased from an aggregate amount of S$8.6 million as at 30 September 2018 to S$10.9 million as at 30 September 2019.

The asset value per share of our Group remained fairly stable at 3.1 Singapore cents as compared to 3.2 Singapore cents a year ago.

OPERATIONAL REVIEW

In FY2019, the Group continued to focus its efforts on rebuilding and revitalizing the business.

With regard to our ship chartering operations, the Group has managed to reactivate majority of its offshore vessels during the year. Over the last two years, the Group has steadily aligned and repositioned itself to be ready to dive into the regional offshore oil and gas demands should a recovery materialised. In the interim and to cope with the downtime, the Group has been exploring and will continue to explore new markets and business opportunities primarily around the Asian region, including countries like India, Taiwan, Myanmar and Vietnam.

With regard to our shipyard operations, in anticipation of the increasing interests for ship repairs and demands from ship owners with larger vessels, the Group has initiated a dry dock extension program to extend the length of one of our graving docks from 190 meters to 220 meters. The construction was completed in early October 2019 with minimum disruption to the existing operations of the shipyard during this period. Notwithstanding the increasing ship repair volume, ship building prospects has remained challenging.

EXPRESSION OF APPRECIATION

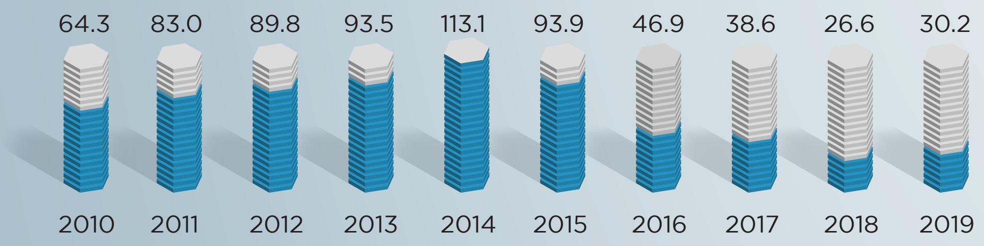
Last but not least, I am grateful to all the Group's stakeholders for their confidence, support and patience, which have helped Marco Polo Marine to survive the many crises and challenges: to our shareholders, for their patience and support, suppliers and customers for their continuing confidence and 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 continue channel our hard work and resources to focus on rebuilding Marco Polo Marine.

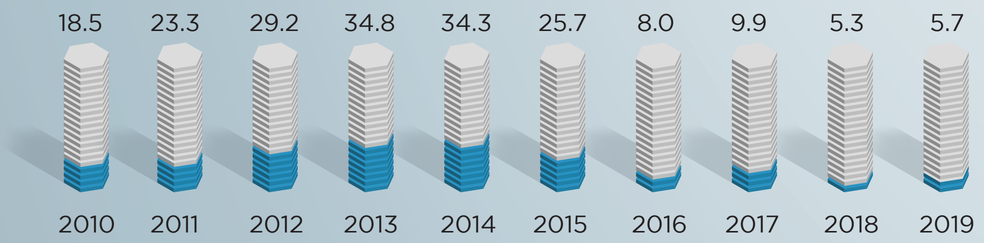
SEAN LEE YUN FENG
Chief Executive Officer

KEY FINANCIALS

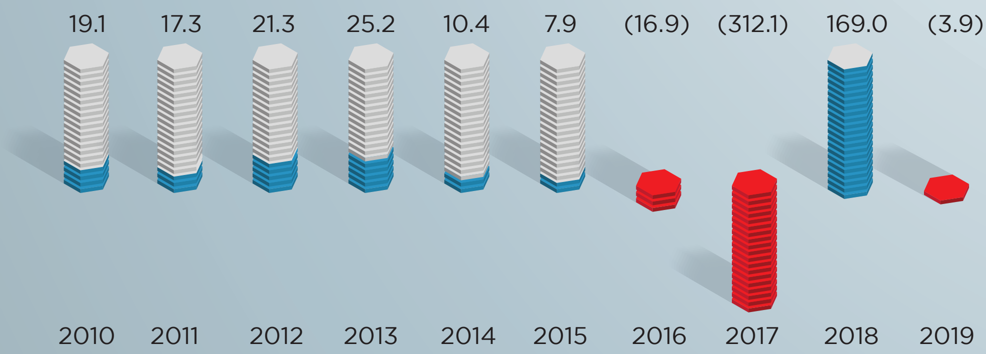
REVENUE
S$ millions
30.2



GROSS PROFIT
S$ millions
5.7



NET PROFIT (LOSS)
S$ millions
(3.9)



REVENUE BY BUSINESS SEGMENT
S$ millions

	SHIP CHARTERING	SHIP BUILDING & REPAIR	**TOTAL (S$'MILLIONS)**
2019	16.6	13.6	**30.2**
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 DIRECTORS

LEE WAN TANG
EXECUTIVE CHAIRMAN

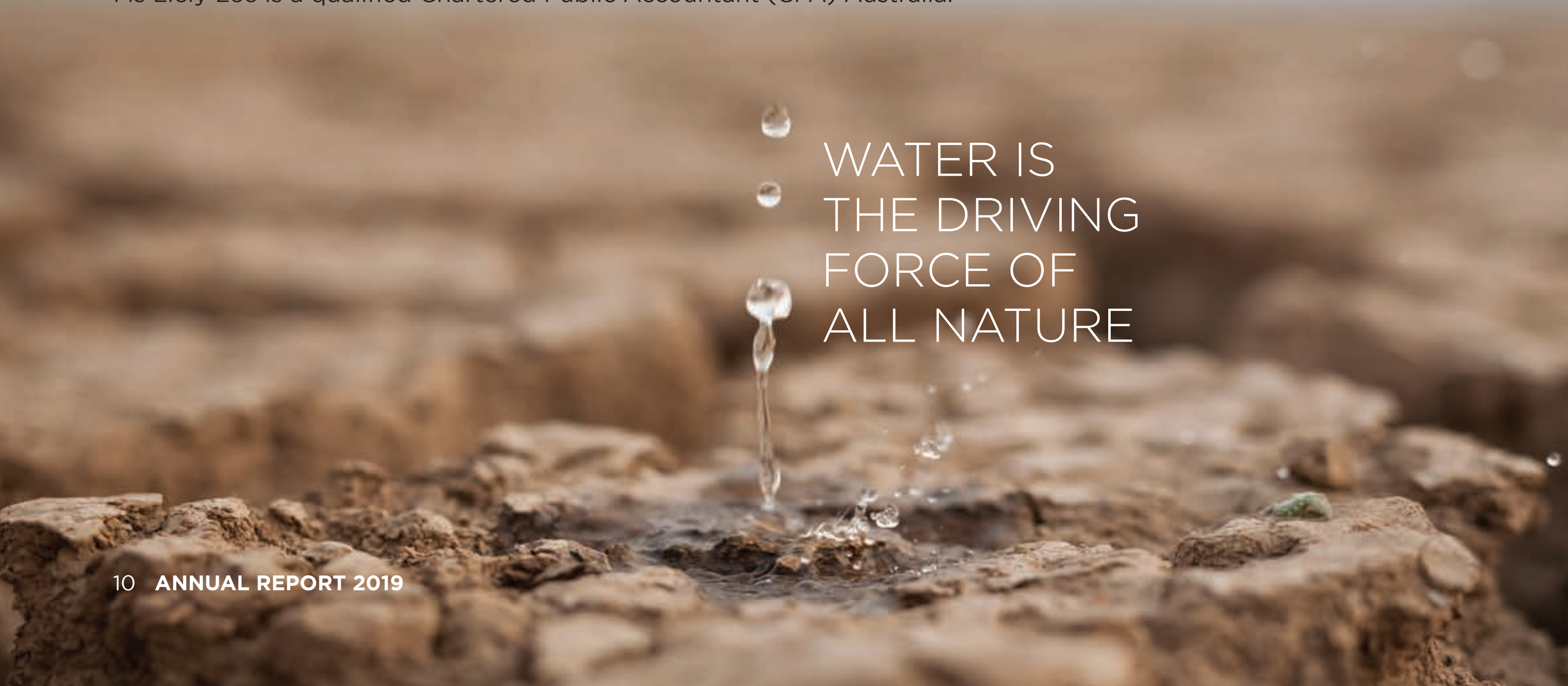
Mr Lee Wan Tang is the Executive Chairman of our Group. He is responsible for the strategic positioning and business expansion of our Group. Mr Lee has been instrumental in the development of our ship chartering operations and the initial planning and setting up of Marco Polo Shipyard. In 2005, having 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.

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).

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.



LIM HAN BOON
LEAD INDEPENDENT DIRECTOR

Mr Lim Han Boon is our Lead Independent Director. He is also an independent director of China Mining International Limited (formerly known as "Sunshine Holdings Limited") and formerly an independent director of Addvalue Technologies Ltd. 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.

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.

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.

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.

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 owneroperator 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.

KEY EXECUTIVE OFFICERS

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 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 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 30 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 REDDY TEO is the Financial Controller. He joined our Group in July 2018. Mr Teo is responsible for the accounting, secretarial and tax related matters of our Group. He has over 15 years of experience in accounting and corporate finance across various industries. Prior to joining the Group, he was the group finance manager of a listed company on SGX-ST for 5 years. Mr Teo graduated with a Bachelor of Accountancy degree from the Nanyang Technological University. He is also a member of the Institute of Singapore Chartered Accountants.

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 2019, the Group has adhered to the principles and guidelines as set out in the 2012 Code, except where otherwise stated.

The Company notes the implementation on 6 August 2018 by the Monetary Authority of Singapore of the revised Code of Corporate Governance 2018 (the “Revised Code”) in relation to annual reports covering financial years commencing from 1 January 2019 as replacement for the Code, and accordingly has taken guidance from the Revised Code and accompanying Practice Guidance in describing its corporate governance practices.

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 executive director 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 2019 are as follows:

	Board Meeting	Audit Committee	Nominating Committee	Remuneration Committee
No. of meetings held	5	4	2	2
		No. of meetings attended		
Lee Wan Tang	3	–	–	–
Sean Lee Yun Feng	5	–	–	–
Lim Han Boon	4	3	2	2
Sim Swee Yam Peter[(1)]	1	–	1	–
Lee Kiam Hwee Kelvin	5	4	2	–
Tan Hai Peng Micheal	2	2	–	2
Jeffrey Hing Yih Peir	5	–	–	-
Teo Junxiang, Darren	4	–	–	2
Liely Lee	5	–	–	–

(1) Resigned on 28 January 2019

PRINCIPLE 2: COMPOSITION OF BOARD AND GUIDANCE

The Board comprises seven directors, three 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
Lee Kiam Hwee Kelvin	Independent Director
Tan Hai Peng Micheal	Independent Director
Hing Yih Peir Jeffrey	Non-Executive Director
Teo Jun Xiang, Darren	Non-Executive Director
Liely Lee	Alternate Director to Mr Lee Wan Tang

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.

CORPORATE GOVERNANCE STATEMENT

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 seven 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 and Mr Lee Kiam Hwee Kelvin, who were appointed as Independent Directors of the Company since 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 and Mr Lee Kiam Hwee Kelvin on abstention) concurred that Mr Lim Han Boon 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 13 September 2007, 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.

Mr. Lee Wan Tang who is required to retire pursuant to Regulation 103 of the Company's constitution at the forthcoming AGM, has given notice of his intention not to seek for re-election as a Director of the Company.

Pending the appointment of a new Chairman, the Board is of the view that there are sufficient safeguards and checks to ensure that the decision making process of the Board is independent and based on the collective decisions of the Directors, without any individual exercising any considerable concentration of power or influence.

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. Majority of 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:

Tan Hai Peng Micheal	Chairman, Independent Director
Lim Han Boon	Lead Independent Director
Sean Lee Yun Feng	Chief Executive Officer

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.

At the forthcoming Annual General Meeting of the Company, under Regulation 103 of the Company's constitution, one-third of the Board shall retire and if desired, the persons retiring may offer themselves for re-election as Directors. The Directors who are due to retire at the forthcoming Annual General Meeting are Mr. Lee Wan Tang and Mr Lim Han Boon. After due review, the NC recommended the re-election of Mr Lee Wan Tang and Mr Lim Han Boon as Directors of the Company. However, both Mr Lee Wan Tang and Mr Lim Han Boon have notified the Company of their intention not to seek re-election. The NC, having considered the reasons offered by them, has recommended to the Board to accept their decisions not to offer themselves for re-election. Accordingly, Mr Lee Wan Tang and Mr Lim Han Boon will cease to be Directors of the Company at the conclusion of the Annual General Meeting. The Board will review and appoint one of its Board Members to be the Chairman in due course. The Board wishes to express its gratitude to Mr Lee Wan Tang and Mr Lim Han Boon for their invaluable contribution and service during their tenure.

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	28 Jan 2019
Lim Han Boon	Lead Independent Director	13 Sep 2007	20 Jan 2017
Lee Kiam Hwee Kelvin	Independent Director	3 July 2009	28 Jan 2019
Jeffrey Hing Yih Peir	Non-Executive Director	1 March 2018	28 Jan 2019
Teo Junxiang, Darren	Non-Executive Director	1 March 2018	28 Jan 2019
Tan Hai Peng Micheal	Independent Director	1 March 2018	28 Jan 2019
Liely Lee	Alternate Director to Mr Lee Wan Tang	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 to Mr Lee Wan Tang). Ms Liely Lee is the Chief Financial Officer and a former executive director of the Group. She has always been playing an active role and is very familiar with the affairs of the Company and Group. Please refer to page 10 of this Annual Report for details of the qualifications and experience of Ms Liely Lee. Following Mr Lee Wan Tang's intention of not seeking for re-election as a Director of the Company, Ms Liely Lee will also cease to be an alternate director to Mr Lee Wan Tang at the conclusion of the Annual General Meeting.

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:

Lee Kiam Hwee Kelvin	Chairman, Independent Director
Lim Han Boon	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$182,000 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 29 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 29 and 31 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. Lee Wan Tang has given notice of his intention not to seek for re-election as a Director of the Company at the forthcoming Annual General Meeting. Accordingly, he will ceased to be the Executive Chairman of the Group.

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	**2019**	**2018**
Above S$500,000	-	-
S$250,000 to below S$500,000	3	3
Below S$250,000	6	6
Total	9	9

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 2019.

	Directors' Fee	Fixed^	Variable^	Total^
	%	%	%	%
Directors				
S$250,000 to below S$500,000				
Lee Wang Tang	–	96	4	100
Sean Lee Yun Feng	–	96	4	100
Liely Lee		96	4	100
Below S$250,000				
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	–	96	4	100
Loo Hin Loy	–	96	4	100
Below S$250,000				
Simon Karuntu	–	92	8	100
Teo Hong Joo Reddy	–	100	–	100
Tang Soon Joo	–	94	6	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 2019 was equivalent to S$978,136.

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 2019, 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	90	10	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 2019, the Company has appointed Meyzer Management Advisory 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 2019 and met needs of the Group in its current business environment.

The Board recognized 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 regulations of the Company 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.

OTHER CORPORATE GOVERNANCE MATTERS

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.

For FY2019, there were no interested person transactions as set out in Chapter 9 of the Listing Manual.

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.

Use of Proceeds

A summary of the Debt Restructuring Exercise, which should be read in conjunction with the circular to the Shareholders dated 28 November 2017 (the "Circular"), is provided below. Unless otherwise defined, all capitalized terms stated herein shall have the same meaning as those ascribed in the Circular.

(a) a consent solicitation exercise (the "CSE") to deal with and obtain consensual agreement for the settlement and full discharge of all outstanding debts and liabilities owing under the Series 001 S$50,000,000 5.75% Fixed Rate Notes due 2016 issued by the Company (the "Notes") to the holders of the Notes (the "Noteholders"). The requisite approval was granted by the Noteholders on 15 November 2017;

(b) a scheme of arrangement (the "MPML Scheme") pursuant to Section 210 of the Companies Act entered into between the Company and the creditors under the MPML Scheme (the "MPML Scheme Creditors"). The requisite Court sanction was granted by the MPML Scheme Creditors on 21 November 2017 and the court order for the MPML Scheme was lodged with the Accounting and Corporate Regulatory Authority ("ACRA") on 5 December 2017;

(c) a scheme of arrangement (the "MPSY Scheme") pursuant to Section 210 of the Companies Act entered into between MPSY and the creditors under the MPSY Scheme (the "MPSY Scheme Creditors"). The requisite Court sanction was granted by the MPSY Scheme Creditors on 21 November 2017 and the court order for the MPSY Scheme was lodged with ACRA on 5 December 2017;

(d) the "Penundaan Kewajiban Pembayaran Utang" ("PKPU") Indonesian court supervised debt restructuring proceedings commenced by PT Marcopolo Shipyard ("PTMS") in accordance with Indonesian Law No. 37 of 2004 on Bankruptcy and Suspension of Debt Payment (the "PKPU Restructuring"). PTMS has obtained the requisite court declaration made in response to the PKPU Restructuring Proposal that has been submitted, namely, that a valid debt restructuring has been agreed to by PTMS and the relevant creditors. Accordingly, the Commercial Court of Medan has endorsed the agreed debt restructuring under the PKPU Restructuring Proposal and ordered PTMS and the relevant creditors to comply with the said proposal as declared on 18 December 2017;

(e) the restructuring of the secured debts of PT BBR, by way of an inter-creditor deed to be entered into between PT BBR and certain of its secured creditors, on terms that ensure that PT BBR is able to continue as a going concern following the post-completion of the Debt Restructuring Exercise. The standstill inter-creditor deed was signed off by the respective secured lenders on 17 January 2018; and

(f) an equity injection of S$60 million in January 2018 from 9 investors (the "Equity Injection"), which forms an integral part of the Debt Restructuring Exercise.

The use of proceeds (as at 30 September 2019) from the Equity Injection to partially fund the Debt Restructuring Exercise is summarized as follows:

	S$'000	S$'000
Proceeds raised from Equity Injection		**60,000**
Less:		
Settlement to MPML Scheme Creditors	(33,027)	
Settlement to Noteholders and Trustee	(7,469)	
Settlement to MPSY Scheme Creditors	(1,425)	
Settlement to PKPU Secured Creditors	(4,760)	
Settlement to PKPU Trade Creditors	(5,600)	
General working capital	(4,685)	
Total used proceeds as at 30 September 2019		**(56,966)**
Remaining proceeds		**3,034**

The breakdown for general working capital is as follows:

	S$'000
Payment to trade creditors	1,078
Professional fees	1,990
Operation overheads	1,617
	4,685

DIRECTORS' STATEMENT

For the financial year ended 30 September 2019

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 2019 and the statement of financial position of the Company as at 30 September 2019.

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 2019 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 (International); 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
Lee Kiam Hwee Kelvin
Tan Hai Peng Micheal
Teo Junxiang, Darren
Jeffrey Hing Yih Peir
Liely Lee (Alternate director to Lee Wan Tang)

3. ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES OR 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 2018	At 30 September 2019	At 21 October 2019	At 1 October 2018	At 30 September 2019	At 21 October 2019
The Company						
- Marco Polo Marine Ltd.						
(No. of ordinary shares)						
Lee Wan Tang	–	6,600,000	14,826,200	208,645,174	208,645,174	200,418,974
Sean Lee Yun Feng	–	–	–	53,571,429	53,571,429	53,571,429
Lim Han Boon	364,101	364,101	364,101	–	–	–
Tan Hai Peng Micheal	9,800,000	9,800,000	9,800,000	40,535,715	40,535,715	40,535,715
Teo Junxiang, Darren	–	–	–	678,571,428	680,986,328	680,986,328
Jeffrey Hing Yih Peir	–	–	–	67,857,142	67,857,142	67,857,142
Liely Lee	–	–	–	53,571,428	53,571,428	53,571,428
(No. of Warrants)						
Lee Wan Tang	–	–	6,580,960	166,916,139	166,916,139	160,335,179
Lim Han Boon	291,280	291,280	291,280	–	–	–
Tan Hai Peng Micheal	7,840,000	7,840,000	7,840,000	–	–	–

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 2019
2013 Option	24.04.2013	24.04.2014 to 23.04.2023	0.415	3,380,000
2015 Option	28.04.2015	28.04.2016 to 27.04.2025	0.275	4,050,000
				7,430,000

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)	–
Kelvin Lee Kiam Hwee	100,000	–	100,000
	1,940,000	(100,000)	1,840,000
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	3,110,000	(60,000)	3,050,000
	5,650,000	(60,000)	5,590,000
Total	7,590,000	(160,000)	7,430,000

* 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.

Resigned on 28 January 2019.

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.

In the previous 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.

7. AUDIT COMMITTEE (CONTINUED)

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;

(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 AC 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.

8. AUDITORS

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

On behalf of the directors

SEAN LEE YUN FENG	**LIELY LEE**
Director	Director

Singapore
16 December 2019

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 2019, 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 40 to 124.

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 Singapore Financial Reporting Standards (International) ("SFRS(I)s") so as to give a true and fair view of the financial position of the Group and of the Company as at 30 September 2019 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 ("SSAs"). 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* ("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 for our opinion.

Overview

Audit Approach

We designed a risk-based audit approach in identifying and assessing the risks of material misstatement at both the financial statement and assertion levels.

Materiality

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.

Scope of audit

For the audit of the current financial year's financial statements, we identified and performed full scope audit on the 13 significant components which required a full scope audit of their financial information, either because of their size or/and their risk characteristics.

We determined the component materiality and our level of involvement in their audit necessary for us, in our professional judgement, to obtain sufficient appropriate audit evidence as a basis for our opinion on the Group's financial statements as a whole.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF MARCO POLO MARINE LTD.

REPORT ON THE AUDIT OF FINANCIAL STATEMENTS (CONTINUED)

Area of focus

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

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><th colspan="2">Impairment assessment of vessels
Refer to Notes 3.2(b) and 11 to the financial statements</th></tr>
<tr><td>Key audit matter</td><td>How the matter was addressed in our audit</td></tr>
<tr><td>As at 30 September 2019, the Group's vessels included in property, plant and equipment are $51.3 million (2018: $63.2 million).

Indicators of impairment of 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 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>

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(e) 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 2019, the Group recorded trade receivables of $12.4 million (2018: $4.4 million), net of allowance for expected credit losses ("ECL") of approximately $18.2 million (2018: $18.0 million).

Consequent to the adoption of SFRS(I) 9 Financial Instruments ("SFRS(I) 9"), the Group used an allowance matrix to estimate ECL for trade receivables. The ECL rates were based on the Group's historical loss experience of the customers, for the last 3 financial years prior to the reporting date for various customer groups that were assessed through an age analysis, adjusted for forward looking factors specific to the debtors and the economic environment which could affect the ability of the debtors to settle the trade receivables.

The Group adopted SFRS(I) 9 Financial Instruments ("SFRS(I) 9") which is effective for annual periods beginning on or after 1 January 2018 retrospectively but did not restate the comparatives by applying the optional adoption exemption under SFRS(I) 1, with the cumulative effect of initially applying SFRS(I) 9 recognised as an adjustment to the opening balance of retained earnings as of 1 October 2018. Consequently, the Group is exempted from disclosing information required by SFRS(I) 7 Financial Instruments: Disclosures for the comparative financial year ended 30 September 2018. There was no impact on the opening balance of retained earnings as of 1 April 2018 as a result of the initial adoption of SFRS(I) 9.

Significant judgement and estimates were made by management in their measurement of the loss allowance that is equivalent to the lifetime ECL for the trade receivables.

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 credit-impaired.

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 Group's consideration of SFRS(I) 9 in their application of the corresponding requirements in the initial adoption of the standard and assessed the appropriateness thereof;

• Assessed the reasonableness of the provision matrix applied by the Group in their measurement of ECL for trade receivables;

• Reviewed the appropriateness of the bases of the Group for determining the loss rates, with reference to also the historical payment trends of its customers in the past 3 financial years analysed by past due dates, adjusted for the Group's outlook of the macro-economic environment and conditions in which its customers operate in, and considered the subsequent receipts, where applicable;

• Reviewed outstanding debts as at year-end, differentiated in two streams, namely major customers and long outstanding debts exceeding credit terms granted with reference to ageing profile;

• Evaluated the assumptions used by the management in assessing the adequacy of impairment allowances for individually assessed trade receivables;

• Compared the management's assumptions for both collective and individual impairment allowances to externally available industry, financial and economic data and our own assessments in relation to key inputs, including background checks on the corresponding customers' financial standing and researched for any adverse news relating to these customers' operations or financial positions; and

• Reviewed the completeness and appropriateness of corresponding disclosures made in the financial statements.</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 SFRS(I), 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 SSAs 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 SSAs, 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
16 December 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the financial year ended 30 September 2019

	Note	2019 $'000	2018 $'000
Revenue	4	30,181	26,557
Cost of sales		(24,500)	(21,285)
Gross profit		5,681	5,272
Other operating income	5	7,537	184,694
Administrative expenses		(6,324)	(6,352)
Other operating expenses		(5,177)	(7,325)
Profit from operations		1,717	176,289
Finance costs	7	(9)	(2,841)
Share of losses in joint ventures	13	(5,370)	(5,410)
(Loss)/Profit before income tax	8	(3,662)	168,038
Income tax (expense)/credit	9	(203)	940
(Loss)/Profit for the financial year attributable to equity holders of the Company		(3,865)	168,978
Other comprehensive (loss)/income:			
Item that may be reclassified subsequently to profit or loss			
Share of other comprehensive income/(loss) of a joint venture		42	(79)
Exchange differences arising from translation of foreign operations		(626)	441
Total other comprehensive (loss)/income for the financial year		(584)	362
Total comprehensive (loss)/income for the financial year attributable to equity holders of the Company		(4,449)	169,340
(Losses)/Earnings per share (cents per share)	10		
Basic		(0.1)	6.7
Diluted		(0.1)	6.7

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 2019

	Note	Group		Company	
		2019 $'000	2018 $'000 (Restated)	2019 $'000	2018 $'000
ASSETS					
Non-current assets					
Property, plant and equipment	11	75,364	87,611	–	–
Investments in subsidiaries	12	–	–	4,320	4,320
Investments in joint ventures	13	5,502	11,490	2,545	3,965
Amount due from a joint venture	14	12,531	–	12,531	–
Total non-current assets		93,397	99,101	19,396	8,285
Current assets					
Inventories	15	1,321	1,426	–	–
Trade receivables	16	12,391	4,381	–	–
Other receivables, deposits and prepayments	17	1,715	1,247	77	129
Amounts due from subsidiaries (non-trade)	18	–	–	113,813	121,716
Amounts due from joint ventures (non-trade)	18	1,926	656	1,388	–
Cash and cash equivalents	19	13,569	17,947	7,660	13,145
Total current assets		30,922	25,657	122,938	134,990
TOTAL ASSETS		124,319	124,758	142,334	143,275
LIABILITIES AND EQUITY					
Current liabilities					
Contract liabilities	20	71	395	–	–
Trade payables	21	6,610	4,510	–	–
Other payables and accruals	22	4,233	3,740	600	1,378
Deferred income	23	172	–	–	–
Finance lease obligations	24	15	52	–	–
Income tax payable		1,068	1,122	–	–
Total current liabilities		12,169	9,819	600	1,378
Non-current liabilities					
Trade payables	21	–	1,624	–	–
Deferred income	23	3,217	–	–	–
Finance lease obligations	24	86	102	–	–
Deferred tax liabilities	25	–	–	–	–
Total non-current liabilities		3,303	1,726	–	–
TOTAL LIABILITIES		15,472	11,545	600	1,378

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 2019

	Note	Group 2019 $'000	Group 2018 $'000 (Restated)	Company 2019 $'000	Company 2018 $'000
Capital and reserves attributable to equity holders of the Company					
Share capital	26	155,671	155,671	155,671	155,671
Treasury shares	27	(1,203)	(1,203)	(1,203)	(1,203)
Capital reserve	28	634	634	–	–
Other reserves	28	157	115	–	–
Employee share option reserve	28	519	436	–	–
Foreign currency translation reserve	28	1,265	1,891	–	–
Accumulated losses		(48,196)	(44,331)	(12,734)	(12,571)
TOTAL EQUITY		108,847	113,213	141,734	141,897
TOTAL EQUITY AND LIABILITIES		124,319	124,758	142,334	143,275

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 2019

	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 2018	155,671	(1,203)	634	115	436	1,891	(44,331)	113,213
Loss for the financial year	–	–	–	–	–	–	(3,865)	(3,865)
Other comprehensive income/(loss) for the financial year	–	–	–	42	–	(626)	–	(584)
Total comprehensive income/(loss) for the financial year	–	–	–	42	–	(626)	(3,865)	(4,449)
Grant of employee share option (Note 6)	–	–	–	–	83	–	–	83
Balance as at 30 September 2019	155,671	(1,203)	634	157	519	1,265	(48,196)	108,847

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 2019

	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 CASH FLOWS

For the financial year ended 30 September 2019

	Note	2019 $'000	2018 $'000 (Restated)
Operating activities			
(Loss)/Profit before income tax		(3,662)	168,038
Adjustments for:			
Bad debts written off	8	–	102
Bad debts recovered	5	(414)	–
Waiver of debts	5	–	(179,878)
Deposits written off	8	–	3
Depreciation of property, plant and equipment	11	7,432	7,298
Foreign exchange difference		(1,273)	(1,339)
Gain from a bargain purchase	5	(182)	–
Gain on disposal of property, plant and equipment, net	5	(4,536)	(665)
Interest expense	7	9	2,841
Interest income	5	(298)	(126)
Inventories written off	15	–	2
Inventories written down	8	16	–
Loss allowances on trade receivables	8	–	1,931
Property, plant and equipment written off	8	–	1
Reversal of impairment loss on investments in joint ventures	5	(63)	(779)
Reversal of loss allowance on trade receivables	8	–	(781)
Share-based payment expense	6	83	83
Share of losses in joint ventures	13	5,370	5,410
Operating cash flows before movements in working capital		2,482	2,141
Changes in working capital:			
Contract liabilities		(324)	3,410
Inventories		89	168
Trade and other payables		964	(9,643)
Trade and other receivables		(8,264)	57
Cash used in operations		(5,053)	(3,867)
Interest paid		–	(19)
Income tax paid		(265)	(288)
Net cash used in operating activities		(5,318)	(4,174)
Investing activities			
Repayment from joint ventures		1,423	3,112
Advances to joint ventures		(1,796)	–
Proceeds from disposal of plant and equipment		5,233	1,699
Cash inflow for step-acquisition of a joint venture, net of cash acquired	13	187	–
Purchase of property, plant and equipment	11	(4,266)	(1,419)
Net cash generated from investing activities		781	3,392

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 2019

	Note	2019 $'000	2018 $'000 (Restated)
Financing activities			
Interest paid on finance lease payables		(9)	(8)
Interest paid on term loans		–	(140)
Interest received		184	105
Proceeds from exercise of warrants	26	–	5
Proceeds from issuance of shares	35	–	60,000
Repayment of finance lease payables, net		(53)	(68)
Repayment of term loans		–	(43,875)
Withdrawal of fixed deposits and bank balances pledged with licensed bank		–	1,131
Net cash generated from financing activities		122	17,150
Net (decrease)/increase in cash and cash equivalents		(4,415)	16,368
Cash and cash equivalents at beginning of financial year		17,947	1,650
Effect of exchange rate changes on cash and cash equivalents		37	(71)
Cash and cash equivalents at end of financial year	19	13,569	17,947

RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

2019	At beginning of financial year $'000	Financing cashflows $'000	At end of financial year $'000
Liability			
Finance lease obligations	154	(53)	101

			Non-cash movements				
2018	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	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	(68)	119	–	–	–	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 incorporated and domiciled 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 2019 were authorised for issue in accordance with a resolution of the Board of Directors on 16 December 2019.

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 (International) ("SFRS(I)s") including related Interpretations of SFRS(I) ("SFRS(I)s INT") 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.

Singapore Financial Reporting Standards (International)

In December 2017, the Accounting Standards Council (the "ASC") issued the SFRS(I)s 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)s 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)s, the Group can hence elect to include an explicit and unreserved statement of compliance with SFRS(I)s in its first and subsequent SFRS(I)s financial statements.

In its initial adoption of this first set of SFRS(I)s financial statements, the Group has applied 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.*

The effects of applying SFRS(I) 1 is disclosed in Note 36.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

SFRS(I)s and SFRS(I)s INT issued but not yet effective

At the date of authorisation of these financial statements, the following SFRS(I)s, SFRS(I)s INT and amendments to SFRS(I)s were issued but not yet effective:

SFRS (I)s	Title	Effective date (annual periods beginning on or after)
SFRS(I) 1-19	Amendments to SFRS(I) 1-19: *Plan Amendment, Curtailment or Settlement*	1 January 2019
SFRS(I) 1-28	Amendments to SFRS(I) 1-28: *Long-term Interests in Associates and Joint Ventures*	1 January 2019
SFRS(I) 1-1, SFRS(I) 1-8	Amendments to SFRS(I) 1-1 and SFRS(I) 1-8: *Definition of Material*	1 January 2020
SFRS(I) 3	Amendments to SFRS(I) 3: *Definition of a Business*	1 January 2020
SFRS(I) 9	Amendments to SFRS(I) 9: *Prepayment Features with Negative Compensation*	1 January 2019
SFRS(I) 10, SFRS(I) 1-28	Amendments to SFRS(I) 10 and SFRS(I) 1-28: *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	To be determined
SFRS(I) 16	Leases	1 January 2019
SFRS(I) INT 23	Uncertainty over Income Tax Treatments	1 January 2019
Various	Amendments to References to the Conceptual Framework in SFRS(I) Standards Amendments to illustrative examples, implementation guidance and SFRS(I) practice statements	1 January 2020
Various	Annual Improvements to SFRS(I)s 2015-2017 Cycle - Amendments to SFRS(I) 3 *Business Combinations: Additional guidance for applying the acquisition method to particular types of business combinations* - Amendments to SFRS(I) 11 *Joint Arrangements: Accounting for acquisition of interests in joint operations* - Amendments to SFRS(I) 1-12 *Income taxes: Measurement, Recognition of current and deferred tax and borrowing costs* - Amendments to SFRS(I) 1-23 *Borrowing costs: Borrowing costs eligible for capitalisation*	1 January 2019

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

The Group and the Company do not intend to early adopt any of the above new or revised standards, interpretations and amendments to the existing standards. Other than the following standard, 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

SFRS(I) 16 Leases ("SFRS(I) 16")

SFRS(I) 16 supersedes SFRS(I) 1-17 *Lease*, SFRS(I) INT 4 *Determining whether an Arrangement contains a Lease*, SFRS(I) 1-15 *Operating Leases – Incentives,* and SFRS(I) INT 1-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease.* It sets out the principles for the recognition, measurement, presentation and disclosure of leases and introduces a single, on-balance sheet accounting model for lessees.

The Group plans to apply SFRS(I) 16 on 1 October 2019 and will apply the modified retrospective approach to recognise the cumulative effect of initially applying SFRS(I) 16 on 1 October 2019. Accordingly, the comparative financial statements will not be restated.

Lessee

SFRS(I) 16 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 plans to elect to use the exemption proposed by the standard on lease contracts for which the underlying asset is of low value and where the lease is short-term. The Group also plans to elect not to recognise right-of-use assets and lease liabilities of leases for which the lease term ends within 12 months as of 1 October 2019. In the determination of the lease term as a lessee, the Group plans to apply the practical expedient to use hindsight for contracts which contains options to extend or terminate the lease.

Preliminarily, based on the currently known and reasonably estimable information relevant to its assessment, as at 1 October 2019, the Group expects an increase in right-of-use assets and an increase in lease liabilities.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Basis of consolidation (Continued)

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 SFRS(I) 1-39 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 2017

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. For each business combination, the Group determines whether to measure the non-controlling interests in the acquire at fair value or at proportionate share in the recognised amounts of the acquiree's identifiable net assets. Acquisition-related costs are recognised in profit or loss as incurred and included in administrative expenses.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under SFRS(I) 3 *Business Combinations* ("SFRS(I) 3") 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 SFRS(I) 5 *Non-Current Assets Held for Sale and Discontinued Operations* ("SFRS(I) 5"), which are recognised and measured at the lower of cost and fair value less costs to sell.

The Group recognises any contingent consideration to be transferred for the acquiree at the fair value on the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement shall be accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of SFRS(I) 9 *Financial Instruments* ("SFRS(I) 9"), is measured at fair value with the changes in fair value recognised in the statement of profit or loss in accordance with SFRS(I) 9. Other contingent consideration that is not within the scope of SFRS(I) 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

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 SFRS(I) 3 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 SFRS(I) 1-12 *Income Taxes* and SFRS(I) 1-19 *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 SFRS(I) 2 *Share-based Payment*; and

- assets (or disposal groups) that are classified as held for sale in accordance with SFRS(I) 5 are measured in accordance with that Standard.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Business combinations (Continued)

Business combinations from 1 October 2017 (Continued)

If the initial accounting for a business combination is incomplete by the end of the reporting period 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.

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.

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.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit (including the goodwill), the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

The attributable amount of goodwill is included in the determination of gain or loss on disposal of the subsidiary or jointly controlled entity.

Business combinations before 1 October 2017

As part of transition to SFRS(I), the Group elected not to restate those business combinations that occurred before the date of transition to SFRS(I), i.e. 1 October 2017. Goodwill arising from acquisitions before 1 October 2017 has been carried forward from the previous FRS framework as at the date of transition.

In comparison to the above-mentioned requirements under SFRS(I), 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Business combinations (Continued)

Business combinations before 1 October 2017 (Continued)

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

The Group is principally in the business of charter hiring, ship repairing services, shipbuilding and sales of goods. Revenue from contracts with its customers is recognised when or as the Group satisfies a performance obligation by transferring a promised good or service generated in the ordinary course of the Group's activities to its customer, at a transaction price that reflects the consideration the Group expects to be entitled in exchange for the good or service and that is allocated to that performance obligation. The good or service is transferred when or as the customer obtains control of the good or service. Revenue is shown net of estimated customer returns, rebates and other similar allowances.

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

Charter hire income

Time charter is recognised over time on a straight-line basis based on the number of days of the charter period.

Voyage charter is recognised over time on a straight-line basis over the voyage days from the commencement of the loading of cargo to completion of discharge.

Advance billings to customers or advance consideration received from customers for charter hire services not provided is recognised as contract liabilities.

Revenue from ship repair

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Revenue recognition (Continued)

Shipbuilding revenue

Revenue from ship building, tug and barges and offshore vessels is recognised over time, using the input method to measure progress towards complete satisfaction of the service, as the vessels have no alternative use for the Group due to contractual restriction, and the Group has enforceable rights to payment for performance completed to-date, arising from contractual terms. The measure of progress is determined based on percentage of completion, which is measured by reference to the proportion of costs incurred to date to the estimated total costs for the shipbuilding 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. Costs incurred that are not related to the contract or that do not contribute towards satisfying the performance obligation are excluded from the measure of progress and instead are expensed as incurred. Accordingly, in view of the nature of the shipbuilding service, management considers that this input method is most appropriate in measuring the progress towards complete satisfaction of these performance obligations under SFRS(I) 15 *Revenue from Contracts with Customers* ("SFRS(I) 15").

The Group receives deposit from customers and the period between the receipt and the transfer of control may exceed one year. For such contracts, there is no significant financing component present as the payment terms is an industry practice to protect the Group from the customers' failure to adequately complete some or all of its obligations under the contract. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in the profit or loss in the period in which the circumstances that give rise to the revision become known by management.

The customer is invoiced on a milestone payment schedule. If the value of the goods transferred by the Group exceed the payments by customers, a contract asset is recognised. If the payments by customers exceed the value of the goods transferred, a contract liability is recognised.

Income from forfeiture of payment received from shipbuilding contracts is recognised when the shipbuilding contract has been effectively terminated and the payments received from customer is non-refundable.

For costs incurred in fulfilling the contract which are within the scope of another SFRS(I) (eg: Inventories), these have been accounted for in accordance with those other SFRS(I). If these are not within the scope of another SFRS(I), the Group will capitalise these as contract costs assets only if (a) these cost relate directly to a contract or an anticipated contract which the Group can specifically identify; (b) these cost generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and (c) these costs are expected to be recovered. Otherwise, such costs are recognised as an expense immediately.

Capitalised contract costs are subsequently amortised on a systematic basis as the Group recognises the related revenue over time. An impairment loss is recognised in the profit or loss to the extent that the carrying amount of capitalised contract costs exceeds the expected remaining consideration less any directly related costs not yet recognised as expenses.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Revenue recognition (Continued)

Revenue from sales of goods

The Group enters into contracts with customers to supply goods. Revenue is recognised at point in time when control of the goods has transferred, being when the goods are delivered to the customer and there is no unfulfilled obligation that could affect the customer's acceptance of the goods. Delivery occurs when the goods have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the goods in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

Rental income

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.

<u>Indonesia</u>

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Employees' benefit costs (Continued)

(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.

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 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Income tax (Continued)

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.

2.10 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Foreign currency transactions and translation (Continued)

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
Dry dock	5
Machinery and equipment	4 – 8
Leasehold improvements	over the remaining life of leasehold land
Motor vehicles	4 - 10

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 SFRS(I) 5, 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Investments in joint ventures (Continued)

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.

2.13 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

The Group recognises a financial asset or a financial liability in its statement of financial position when, and only when, the Group becomes 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Financial instruments (Continued)

Financial instruments from 1 October 2018

These accounting policies are applied on and after the initial application date of SFRS(I) 9 *Financial Instruments* ("SFRS(I) 9") (i.e. 1 October 2018).

Financial assets

Initial recognition and measurement

All financial assets are recognised on trade date – the date on which the Group commits to purchase or sell the asset. With the exception of trade receivables that do not contain a significant financing component or for which the Group applies a practical expedient, all financial assets 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. Such trade receivables that do not contain a significant financing component or for which the Group applies a practical expedient are measured at transaction price as defined in SFRS(I) 15 in Note 2.4.

Financial assets are classified as subsequently measured at amortised cost and fair value through other comprehensive income ("FVTOCI"). The classification at initial recognition depends on the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

The Group's business model refers to how the Group manages its financial assets in order to generate cash flows which determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both.

The Group determines whether the asset's contractual cash flows are solely payments of principal and interest ("SPPI") on the principal amount outstanding to determine the classification of the financial assets.

Financial assets held at FVTOCI

A financial asset that is an investment in debt instrument is subsequently measured at FVTOCI if the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding. Gains or losses are recognised in other comprehensive income, except for impairment gains or losses, foreign exchange gains or losses and interest which are recognised in profit or loss.

At initial recognition, the Group may make an irrevocable election to classify its investment in equity instruments, for which the equity instrument is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which SFRS(I) 3, as subsequently measured at FVTOCI so as to present subsequent changes in fair value in other comprehensive income. The election is made on an investment-by-investment basis.

Upon derecognition, other than the aforementioned equity instruments for which their subsequent cumulative fair value changes would be transferred to accumulated profits, the cumulative fair value changes recognised in other comprehensive income is recycled to profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Financial instruments (Continued)

Financial instruments from 1 October 2018 (Continued)

Financial assets (Continued)

Interest income

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

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses ("ECL") on financial assets measured at amortised cost and debt instruments measured at FVTOCI. At each reporting date, the Group assesses whether the credit risk on a financial asset has increased significantly since initial recognition by assessing the change in the risk of a default occurring over the expected life of the financial instrument. Where the financial asset is determined to have low credit risk at the reporting date, the Group assumes that the credit risk on financial assets has not increased significantly since initial recognition.

The Group uses reasonable and supportable forward-looking information that is available without undue cost or effort as well as past due information when determining whether credit risk has increased significantly since initial recognition.

Where the credit risk on that financial instrument has increased significantly since initial recognition, the Group measures the loss allowance for a financial instrument at an amount equal to the lifetime ECL. Where the credit risk on that financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

The Group uses a practical expedient to recognise the ECL for trade receivables and contract assets, which is to measure the loss allowance at an amount equal to lifetime ECL using an allowance matrix derived based on historical credit loss experience adjusted for current conditions and forecasts of future economic conditions.

The amount of ECL or reversal thereof that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognised is recognised in profit or loss.

While they are not financial assets, contract assets arising from the Group's contracts with customers under SFRS(I) 15 are assessed for impairment in accordance with SFRS(I) 9, similar to that of trade receivables.

The Group directly reduces the gross carrying amount of a financial asset when the entity has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

For details on the Group's accounting policy for its impairment of financial assets, refer to Note 32.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Financial instruments (Continued)

Financial instruments from 1 October 2018 (Continued)

Financial assets (Continued)

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the financial 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Financial instruments (Continued)

Financial instruments from 1 October 2018 (Continued)

Financial liabilities

Initial recognition and measurement

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

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. Financial liabilities classified as at fair value through profit or loss comprise derivatives that are not designated or do not qualify for hedge accounting.

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. A gain or loss is recognised in profit or loss when the liability is derecognised and through the amortisation process.

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 (see Note 2.5). A gain or loss is recognised in profit or loss when the liability is derecognised and through the amortisation process.

Financial guarantee contract

The Company has issued corporate guarantee to financial institution for credit facility granted by them to a subsidiary and this guarantee qualifies as financial guarantee because the Company is required to reimburse the financial institution if the subsidiary breach any repayment terms.

Financial guarantee contract liability are measured initially at their fair values plus transaction costs and subsequently at the higher of the amount of the loss allowance and the amount initially recognised less cumulative amortisation in accordance with SFRS(I) 15 or FRS 18 *Revenue* previously.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Financial instruments (Continued)

Financial instruments from 1 October 2018 (Continued)

Financial liabilities (Continued)

Derecognition of financial liabilities

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

Offsetting of financial instruments

A financial asset and a financial liability shall be offset and the net amount presented in the statements of financial position when and only when, an entity:

(a) currently has a legally enforceable right to set-off the recognised amounts; and
(b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets before 1 October 2018

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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Financial instruments (Continued)

Financial assets before 1 October 2018 (Continued)

Loans and receivables

The Group's loans and receivables comprise trade and other receivables, amounts due from joint ventures 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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

2.16 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.

2.17 Leases

Lessee

Finance leases

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).

Operating leases

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Leases (Continued)

Lessor

Operating leases

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.

2.18 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.

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.

2.19 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Contingencies (Continued)

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.

2.20 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.

3.1 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.

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

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

Determination of control of joint arrangements (Continued)

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.

Revenue recognition from shipbuilding contracts

The Group recognises revenue from shipbuilding contracts when the performance obligation is satisfied over time, using the input method to measure progress towards complete satisfaction of the service, as the customer simultaneously receives and consumes the benefits provided by the Group. In determining the revenue recognition policy for such contracts entered into with its customers, the Group applied SFRS(I) 15, in consideration that its performance does not create an asset with an alternative use and its enforceability of right to payment for performance completed to date.

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 2019 is approximately $5,502,000 (2018: $11,490,000). The Company's carrying amount of investments in subsidiaries as at 30 September 2018 is approximately $4,320,000 (2018: $4,320,000).

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 current financial year, the Group has assessed the recoverable amount of its investments in joint ventures. Consequently, the Group recognise a reversal of impairment loss of $63,000 (2018: $779,000) within "other operating income" in the profit or loss as the amounts due from joint ventures are recovered.

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

3.2 Key sources of estimation uncertainty (Continued)

(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 vessels might not be recovered. In assessing the recoverability of the vessels, 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 vessels 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 reports 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.

During the financial year, the Group has assessed the recoverable amounts of the vessels and determined that no impairment loss is required.

The carrying amounts of the Group's vessels included in property, plant and equipment as at 30 September 2019 was $51,273,000 (2018: $63,218,000) (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 2019 was $2,570,000 (2018: $2,305,000) (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 their best estimates of likely taxes 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.

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

3.2 Key sources of estimation uncertainty (Continued)

(d) Income tax (Continued)

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.

(e) Measurement of ECL of trade receivables

The Group uses an allowance matrix to measure ECL for trade receivables. The ECL rates are based on the Group's historical loss experience of the customers, for the last 3 years prior to the reporting date for various customer groups that are assessed by geographical locations, adjusted for forward looking factors specific to the debtors and the economic environment which could affect the ability of the debtors to settle the trade receivables. In considering the impact of the economic environment on the ECL rates, the Group assesses, for example, the gross domestic production growth rates of the countries (i.e. Singapore, Malaysia and Indonesia) and the growth rates of the major industries in which its customers operate. The Group adjusts, as necessary, the allowance matrix at each reporting date. Such estimation of the ECL rates may not be representative of the actual default in the future. The expected loss allowance on the Group's trade receivables as at 30 September 2019 is $18,232,000 (2018: $18,028,000) (Note 32).

4. REVENUE

	Group	
	2019	**2018**
	$'000	**$'000**
Ship chartering services	16,549	11,462
Ship building	–	8,127
Ship repair services	12,990	6,480
Sales of goods	642	488
	30,181	26,557

4. REVENUE (CONTINUED)

The disaggregation of revenue from contracts with customers is as follows:

	Ship chartering services		Ship building		Ship repair services		Sales of goods		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Geographical markets[a]										
Singapore	8,798	7,641	–	–	4,622	2,415	–	–	13,420	10,056
Indonesia	–	–	–	8,127	7,183	2,882	642	488	7,825	11,497
Australia	40	908	–	–	–	–	–	–	40	908
Malaysia	5,087	2,596	–	–	295	–	–	–	5,382	2,596
Vietnam	133	317	–	–	–	–	–	–	133	317
Korea	–	–	–	–	132	135	–	–	132	135
Dubai	–	–	–	–	–	902	–	–	-	902
Netherlands	71	–	–	–	414	146	–	–	485	146
Taiwan	923	–	–	–	300	–	–	–	1,223	–
Myanmar	1,497	–	–	–	–	–	–	–	1,497	–
Others	–	–	–	–	44	–	–	–	44	–
Total	16,549	11,462	-	8,127	12,990	6,480	642	488	30,181	26,557
Goods or services transferred at a point in time	–	–	–	–	12,990	6,480	642	488	13,632	6,968
Goods or services transferred overtime	16,549	11,462	–	8,127	–	–	–	–	16,549	19,589
Total	16,549	11,462	–	8,127	12,990	6,480	642	488	30,181	26,557

[a] The disaggregation is based on the location of customers from which revenue was generated.

The Group has applied the practical expedient permitted under SFRS(I) 15 for those performance obligations which are part of contracts that have an original expected duration of one year or less.

5. OTHER OPERATING INCOME

	Group	
	2019	**2018**
	$'000	**$'000**
Bad debts recovered	414	–
Foreign exchange gain	1,086	2,093
Gain on disposal of property, plant and equipment, net	4,536	665
Gain from a bargain purchase	182	–
Government grant income	14	85
Interest income on bank balances and fixed deposits	193	126
Interest income from loan to a joint venture	105	–
Reversal of impairment loss on investments in joint ventures	63	779
Sales of scrap metals	116	123
Sundry income	828	945
Waiver of debts	–	179,878
	7,537	184,694

6. PERSONNEL EXPENSES

	Group	
	2019	**2018**
	$'000	**$'000**
Wages, salaries and bonuses	4,281	4,209
Contributions to defined contribution plan	386	354
Directors' fee of the Company	211	213
Directors' remuneration		
- directors of the Company	1,151	1,189
Other staff costs	9	9
Share-based payment expense	83	83
	6,121	6,057

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)

Employee share option scheme 2012 (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:

	2019		2018	
	No.	Weighted average exercise prices $	No.	Weighted average exercise prices $
Outstanding at 1 October	7,590,000	0.345	7,710,000	0.345
- forfeited	(160,000)	–	(120,000)	–
Outstanding at 30 September	7,430,000	0.345	7,590,000	0.345
Exercisable at 30 September	7,430,000	0.345	5,926,000	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	
	2019	2018
	$'000	$'000
Interest expenses on:		
- term loans	–	2,432
- bank overdraft	–	19
- finance lease obligations	9	8
- medium-term notes	–	382
	9	2,841

8. (LOSS)/PROFIT BEFORE INCOME TAX

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

	Group	
	2019	2018
	$'000	$'000
Bad debts written off	–	102
Deposits written off	–	3
Depreciation of property, plant and equipment	7,432	7,298
Directors' fee of the Company	211	213
Inventories written down	16	–
Inventories written off	–	2
Legal and professional fee	(59)	801
Loss allowance on trade receivables	-	1,931
Operating lease expenses	226	240
Personnel expenses	6,121	6,057
Property, plant and equipment written off	–	1
Provision for compensation expenses	14	497
Remuneration paid to auditors of the Company:		
- Audit fees	142	154
- Non-audit fees	8	15
Reversal of loss allowance on trade receivables	–	(781)

9. INCOME TAX EXPENSE/(CREDIT)

	Group	
	2019	2018
	$'000	$'000
Current income tax		
- current financial year	135	7
- under provision in prior financial years	68	8
	203	15
Deferred income tax (Note 25)		
- over provision in prior financial years	–	(955)
Income tax expense/(credit)	203	(940)

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

Reconciliation of effective tax rate is as follows:

	Group	
	2019	**2018**
	$'000	**$'000**
(Loss)/Profit before income tax	(3,662)	168,038
Tax at the statutory tax rate of 17%	(623)	28,566
Different tax rates in other countries	25	(1,865)
Tax exemption	(1,037)	(1,699)
Expenses not deductible for tax purposes	2,241	15,668
Income not subject to tax	(2,306)	(42,840)
Deferred tax assets not recognised	922	1,257
Under/(Over) provision in respect of prior years	68	(947)
Share of losses in joint ventures	913	920
	203	(940)

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.

<u>Deferred tax assets not recognised</u>

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	
	2019	**2018**
	$'000	**$'000**
Unabsorbed tax losses	1,078	310
Accelerated tax depreciation	135,397	130,741
	136,475	131,051

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. (LOSSES)/EARNINGS PER SHARE

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

	Basic		Diluted	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
(Loss)/Profit for the financial year attributable to the equity holders of the Company	(3,865)	168,978	(3,865)	168,978

Weighted average number of shares

	Number of shares	
	2019	2018
For basic (losses)/earnings per share	3,520,328,361	2,508,427,286
For diluted (losses)/earnings per share	3,520,328,361	2,508,427,286

Basic (losses)/earnings per share are calculated by dividing (loss)/profit 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 (losses)/earnings per share amounts are calculated by dividing (loss)/profit 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 and warrants for current financial year as the exercise price of the share options and warrants 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	Construction in progress $'000	Total $'000
Cost										
Balance at 1.10.2017	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
Additions	–	8	–	1,042	1,400	99	38	–	1,679	4,266
Disposal	–	–	–	(56,481)	(1,131)	–	–	–	–	(57,612)
Written off	–	(6)	–	–	–	–	–	–	–	(6)
Currency realignment	–	–	–	1,270	22	–	–	–	–	1,292
Balance at 30.09.2019	6,311	812	293	179,436	6,247	11,795	32,402	1,036	1,679	240,011
Accumulated depreciation and accumulated impairment loss										
Balance at 1.10.2017	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
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
Depreciation charge for the financial year	277	8	–	3,972	1,069	417	1,610	79	–	7,432
Disposal	–	–	–	(47,155)#	(1,056)	–	–	–	–	(48,211)
Written off	–	(6)	–	–	–	–	–	–	–	(6)
Currency realignment	–	–	–	959	13	–	–	–	–	972
Balance at 30.09.2019	3,587	770	293	128,163#	3,677	11,232	16,372	553	–	164,647
Net carrying amount										
As at 30.09.2019	2,724	42	–	51,273	2,570	563	16,030	483	1,679	75,364
As at 30.09.2018	3,001	42	–	63,218	2,305	881	17,602	562	–	87,611

* No gain or loss was recognised by the Group as the transfers were done at their carrying amounts.

\# Included is the accumulated impairment losses of $99,703,000 (1 October 2018 and 1 October 2017: $136,128,000). The reversal of impairment loss of $36,425,000 (2018: $Nil) arose from the disposal of vessels during the financial year.

11. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Motor vehicles with net carrying amount of approximately $184,000 (2018: $562,000) were acquired under finance leases.

During the financial year, the Group acquired property, plant and equipment with an aggregate cost of $4,266,000 (2018: $1,538,000) of which $Nil (2018: $119,000) were acquired by means of finance leases. Cash payments of $4,266,000 (2018: $1,419,000) were made to purchase property, plant and equipment.

The depreciation expenses amounting to approximately $5,158,000 (2018: $4,443,000) and $2,274,000 (2018: $2,855,000) have been recognised in the cost of sales and other operating expenses respectively.

12. INVESTMENTS IN SUBSIDIARIES

	Company	
	2019	2018
	$'000	$'000
Unquoted equity shares, at cost	4,320	4,320

Details of the subsidiaries are as follow:

Name of companies	Principal activities	Place of incorporation/ Place of business	Effective interest held by the Group	
			2019	2018
			%	%
Held by the Company:				
Marco Polo Shipping Co Pte Ltd ("MPS") (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
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 ("MPSHK") (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
Marco Polo Offshore (III) Pte Ltd (1)	Ship chartering	Singapore	100	100

12. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Details of the subsidiaries are as follow: (Continued)

Name of companies	Principal activities	Place of incorporation/ Place of business	Effective interest held by the Group 2019 %	2018 %
MPST Marine Pte Ltd ("MPST") [(4)] [(5)]	Ship chartering	Singapore	100	50
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 subsidiary was a joint venture of the Group in the previous financial year.
(5) On 22 April 2019, the Group's equity interest in MPST increased from 50% to 100% and MPST became a subsidiary. The subsidiary is in the midst of winding-up and liquidation. (see Note 13)

13. INVESTMENTS IN JOINT VENTURES

	Group 2019 $'000	Group 2018 $'000	Company 2019 $'000	Company 2018 $'000
Investments in joint ventures	56,127	56,376	1,090	1,090
Share of post-acquisition losses	(53,046)	(54,930)	–	–
Share of translation reserves	(1,440)	(41)	–	–
Share of other comprehensive income	157	115	–	–
Due from joint ventures [(1)]	10,393	16,722	2,545	2,875
	12,191	18,242	3,635	3,965
Impairment losses	(6,689)	(6,752)	(1,090)	–
	5,502	11,490	2,545	3,965

13. INVESTMENTS IN JOINT VENTURES (CONTINUED)

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.

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

Details of the joint ventures are as follow:

Name of companies	Principal activities	Place of incorporation/ Place of business	Proportion of ownership interest held by the Group	
			2019	2018
			%	%
MPST Marine Pte Ltd ("MPST") (2)	Ship chartering services	Singapore	–	50
Rig Tenders Offshore Pte Ltd ("RTO") (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
Pelayaran New Era (L) Bhd ("PNE") (4) (5)	Ship chartering services	Labuan, Malaysia	49	–
Held by joint ventures				
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
Pelayaran Era Sdn Bhd ("PESB") (4)	Ship chartering services	Malaysia	49	–

(1) The Group's non-trade amounts due from joint ventures disclosed comprise the gross carrying amounts of $16,538 (2018: $21,756) net of accumulated impairment losses of $6,145 (2018: $5,034). The Company's non-trade amount due from a joint venture disclosed comprise the gross carrying amount of $8,690 (2018: $7,909) net of accumulated impairment loss of $6,145 (2018: $5,034). 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 and Company'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) Incorporated during the financial year.

(5) Audited by HLB Ler Lum, Malaysia.

13. INVESTMENTS IN JOINT VENTURES (CONTINUED)

Incorporation of a joint venture – PNE

On 16 January 2019, MPSHK, a wholly-owned subsidiary of the Group, together with a company, SK Global Ltd, established a newly incorporated joint venture company, PNE. The Group's contribution to set up the investment was USD1,000 (equivalent to $669) and resulted in the Group obtaining a 49% interest in PNE.

Incorporation of a joint venture – PESB

On 1 April 2019, PNE, a joint venture of the Group, incorporated a new wholly-owned subsidiary, PESB with an issued and paid-up capital of RM1,000 (equivalent to $335).

Disposal of a joint venture – MPST

On 22 April 2019, MPS, a wholly-owned subsidiary of the Group acquired the remaining 50% equity interest in MPST from its joint venture partner with an ultimate intention of winding up MPST for a cash consideration of US$1. As a result of this acquisition, MPST became a wholly-owned subsidiary of MPS.

The financial effects of the change in the Group's interests in MPST are summarised as follows:

	2019 $'000
Effect on cash flows of the Group	
Cash paid	–*
Less: Cash and cash equivalents in subsidiary acquired	187
Cash inflow on acquisition	187

** Less than $1,000*

	At fair value 2019 $'000
Identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	187
Total assets	187
Trade and other payables	(5)
Total liabilities	(5)
Total net identifiable assets	182
Less: Gain from a bargain purchase	(182)
Consideration transferred for the business	–*

** Less than $1,000*

13. INVESTMENTS IN JOINT VENTURES (CONTINUED)

Disposal of a joint venture – MPST (Continued)

No intangible assets are recognised on the acquisition of the remaining equity interest in MPST as the Company is a dormant entity and the carrying amount of the net identifiable assets and liabilities are approximately its book value.

MPST is in the midst of winding-up and liquidation. The winding-up of MPST did not have any material effect on the financial results and position of the Group.

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

2019	RTO $'000	MPMT $'000	MPO (IV) $'000	BBR $'000	PNE $'000	Total $'000
Assets and liabilities						
Non-current assets	–	–	7,772	100,600	15,146	
Current assets	29	5,216	6,955	9,255	1,106	
Current liabilities	(9,741)	(6,668)	(36,337)	(10,252)	(3,354)	
Non-current liabilities	–	–	–	(71,938)	(12,523)	
Net assets/(liabilities)	(9,712)	(1,452)	(21,610)	27,665	375	
Group's share of joint venture's net assets/(liabilities)	(2,914)	(726)	(10,805)	9,627	184	
Amounts owing by joint ventures	1,704	3,290	5,399	–	–	
Joint ventures losses in excess of equity interest	1,210	–	5,406	–	–	
Less: elimination of unrealised profit on downstream sales (Note 23)	–	–	–	–	(3,601)	
Realisation of gain on downstream sales (Note 23)	–	–	–	–	28	
Reclassified to deferred income (Note 23)	–	–	–	–	3,389	
Less: impairment loss	–	–	–	(6,689)	–	
At 30 September	–	2,564	–	2,938	–	5,502
Cash and cash equivalents	14	2,412	153	5,435	10	
Current financial liabilities	(1,266)	(6,664)	(34,570)	(1,440)	(3,353)	
Non-current financial liabilities	–	–	–	(71,938)	(12,523)	

13. INVESTMENTS IN JOINT VENTURES (CONTINUED)

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

2019	RTO $'000	MPMT $'000	MPO (IV) $'000	BBR $'000	PNE $'000	Total $'000
Results						
Revenue	-	2,803	4,328	24,234	1,096	
Expenses, including the following:	(3,635)	(8,525)	(4,579)	(31,795)	(721)	
Impairment loss on amount due from related company	(3,593)	–	–	–	–	
Depreciation	–	(971)	(459)	(10,386)	(121)	
Loss on disposal of vessels	–	(5,482)	–	(210)	–	
Interest expense	–	(145)	(1,622)	(4,288)	(104)	
Profit/(Loss) before income tax	(3,635)	(5,722)	(251)	(7,561)	375	
Income tax expense	–	–	(3)	(257)	–	
Profit/(Loss) for the financial year, representing total comprehensive income/(loss)	(3,635)	(5,722)	(254)	(7,818)	375	
Group's share of joint ventures total comprehensive income/(loss) for the year	(1,091)	(2,861)	(127)	(2,721)	184	
Realisation of gain on downstream sales (Note 23)	–	–	–	–	28	
Joint ventures losses in excess of equity interest	1,210	–	5,406	–	–	
Group's share of results of joint ventures	–	(2,861)	–	(2,721)	212	(5,370)

13. INVESTMENTS IN JOINT VENTURES (CONTINUED)

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

2018	MPST $'000	RTO $'000	MPMT $'000	MPO (IV) $'000	BBR $'000	Total $'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	–	(7,387)	–	–	–	
Interest expense	–	–	(19)	(1,021)	(2,563)	
(Loss)/Profit before income tax	(2,479)	(398)	17	1,442	(9,955)	
Income tax credit/ (expense)	–	–	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)

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 $6,616,000 (2018: $5,399,000). The Group has no obligation in respect of those losses.

Impairment testing for investments 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.

As at 30 September 2019, 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 $9,050,000 (2018: $9,440,000). The fair value measurement is categorised in Level 1 of the fair value hierarchy. There is no impairment loss on the investment for the current financial year.

The Company intend to liquidate a joint venture, MPMT in the next 12 months. The Company deemed the recoverable amount from MPMT to be negligible as the Company does not expect any distribution from MPMT subsequent to its liquidation. Thus, the cost of investment in MPMT had been fully impaired as at the end of the financial year.

14. AMOUNT DUE FROM A JOINT VENTURE

The Group has granted a vessel loan amounting to $12.5 million to its joint venture, PESB to finance part of its purchase of a vessel. The interest is charged is at 3% per annum over 1-month USD LIBOR on monthly basis.

The loan will be repayable within six years from first principal repayment and is secured by first legal mortgage over the vessel and first priority assignment of insurance policies for the said vessel.

15. INVENTORIES

	Group	
	2019 $'000	2018 $'000
Raw materials	849	938
Work-in-progress vessel	8,056	8,056
Less: Inventories written down	(7,584)	(7,568)
	1,321	1,426

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 $19,343,000 (2018: $16,842,000). The inventories of the Group amounted to $2,000 was written off in the previous financial year.

16. TRADE RECEIVABLES

	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
		(Restated)		
Third parties	25,629	17,483	–	–
Amounts due from joint ventures	4,994	4,926	–	–
Loss allowance for trade receivables	(18,232)	(18,028)	–	–
Total trade receivables	12,391	4,381	–	–
Add: Amount due from a joint venture (Note 14)	12,531	–	12,531	–
Add: Other receivables, deposits and prepayments (Note 17)	1,715	1,247	77	129
Add: Amounts due from subsidiaries (non-trade) (Note 18)	–	–	113,813	121,716
Add: Amounts due from joint ventures (non-trade) (Note 18)	1,926	656	1,388	–
Add: Cash and cash equivalents (Note 19)	13,569	17,947	7,660	13,145
Less: Prepayments	(531)	(506)	(45)	(74)
Less: Deferred costs	(43)	(162)	–	–
Financial assets at amortised cost	41,558	23,563	135,424	134,916

The Group's trade receivables are non-interest bearing and are generally on 30 – 60 days (2018: 30 – 60 days) term. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

17. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
		(Restated)		
Other receivables	396	208	32	54
Other deposits	360	192	–	–
Prepayments	531	506	45	74
Deferred costs	43	162	–	–
Recoverable cost	385	179	–	1
	1,715	1,247	77	129

18. AMOUNTS DUE FROM SUBSIDIARIES (NON-TRADE) AND AMOUNTS DUE FROM JOINT VENTURES (NON-TRADE)

Amounts due from subsidiaries are unsecured, interest-free and repayable on demand.

Amounts due from joint ventures are unsecured, interest-free and repayable on demand.

19. CASH AND CASH EQUIVALENTS

	Group		Company	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Cash and bank balances	6,916	5,844	1,286	1,042
Fixed deposits placed with banks	6,653	12,103	6,374	12,103
	13,569	17,947	7,660	13,145

Fixed deposits of the Group and of the Company bear interest rates ranging from 1.04% to 3.63% (2018: 0.95% to 2.40%) per annum with average maturity period ranging from 1 to 3 months (2018: 1 to 3 months) at the end of the financial year.

20. CONTRACT LIABILITIES

	Group	
	2019 $'000	2018 $'000 (Restated)
Contract liabilities		
Advance consideration from customers	71	395

Advance consideration relates to revenue not recognised to date but have been paid by the customers as at the financial year end, and is transferred to revenue, at the point when or as the performance obligation is satisfied.

Decrease in contract liabilities during the financial year is attributed to the amounts charged out to revenue following the completion of chartering contracts during the financial year.

The Group's revenue recognised in the financial years that was included in the contract liabilities balance at the beginning of the respective financial years is as follow:

	Group	
	2019 $'000	2018 $'000
Chartering contracts	395	221

21. TRADE PAYABLES

	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
		(Restated)		
Non-current				
Third parties	–	1,624	–	–
Current				
Third parties	6,524	4,425	–	–
Amounts due to joint ventures	86	85	–	–
	6,610	4,510	–	–
Total trade payables	6,610	6,134	–	–
Add: Other payables and accruals (Note 22)	4,233	3,740	600	1,378
Add: Finance lease obligations (Note 24)	101	154	–	–
Less: Deposits received from customers (Note 22)	(40)	(83)	–	–
Financial liabilities at amortised cost	10,904	9,945	600	1,378

Trade payables to third parties are interest-free and are generally given a credit within 30 to 90 days (2018: 30 to 90 days). Amounts due to joint ventures are unsecured, interest-free and repayable on demand.

22. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
		(Restated)		
Deposits received from customers	40	83	–	–
Accruals	3,329	3,064	287	1,059
Others	864	593	313	319
	4,233	3,740	600	1,378

23. DEFERRED INCOME

	Group	
	2019	2018
	$'000	$'000
Non-current	3,217	–
Current	172	–
Total deferred income	3,389	–

During the financial year, the Group sold a vessel to PNE for a consideration of $15,039,000 (Note 29), resulting in a gain on disposal of $7,349,000. Consequently, a deferred income in aggregate of $3,389,000 (current liability of $172,000 and non-current liability of $3,217,000) was recognised from eliminating 49% of the gain on disposal of the vessel. Under normal circumstances, the elimination of such gains would have been made against the cost of investment in joint venture. However, as the cost of investment was only a nominal amount of US$1,000 (equivalent to $669), the elimination of the gain resulted in a deferred income being recognised in the statement of financial position of the Group. This deferred income will gradually be reduced to zero as the said vessel depreciates or when it is eventually disposed.

Reconciliation of deferred income is as follows:

Group	2019
	$'000
Cost of investment	–*
Share of post-acquisition losses (Note 13)	184
Share of unrealised gain in downstream sale of a vessel	(3,601)
Realisation of gain during the financial year (Note 13)	28
Total deferred income	(3,389)

* Less than $1,000

24. FINANCE LEASE OBLIGATIONS

Group	Minimum lease payments $'000	Interest $'000	Present value of payments $'000
2019			
Within one year	19	(4)	15
More than one year but not later than five years	80	(10)	70
After five years	17	(1)	16
	116	(15)	101
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

Interest is payable at effective rate of 4.1% to 5.8% (2018: 3.9% to 5.8%) per annum.

25. DEFERRED TAX LIABILITIES

	Group	
	2019 $'000	2018 $'000
At beginning of the financial year	–	955
Credit to profit or loss		
- Over provision in prior financial year	–	(955)
At end of the financial year	–	–

Deferred tax liabilities relate to the following:

Group	Consolidated statement of financial position		Consolidated statement of profit or loss	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Deferred tax liabilities				
- excess of net book value over the tax written-down value of plant and equipment	–	–	–	(955)

26. SHARE CAPITAL

	Group and Company			
	2019	2018	2019	2018
	Number of shares		$'000	$'000
Issued and fully paid:				
At beginning of financial year	3,524,529,761	340,750,000	155,671	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	3,524,529,761	155,671	155,671

(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 were 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			
	2019		2018	
	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.

(a) 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	
	2019	2018
	$'000	$'000
Income		
Sales of inventories to a joint venture	1	7
Sales of a vessel to a joint venture (Note 23)	15,039	–
Ship repair revenue from joint ventures	304	467
Commission earned from a joint venture	13	13
Interest income from loan to a joint venture (Note 5)	105	–
Bad debts recovered	398	–
Cost and expenses		
Charter expense from a joint venture	814	–
Advances		
Advances to joint ventures	1,796	–

Compensation of directors and key executives

	Group	
	2019	2018
	$'000	$'000
Short-term employee benefits	1,972	2,005
Contribution to defined contribution plans	74	89
Share-based payment	83	83
	2,129	2,177
Comprised amounts paid to:		
- Directors of the Company	1,151	1,189
- Other key executives	978	988
	2,129	2,177

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

Corporate guarantee

As at 30 September 2019, the Company has given corporate guarantee amounting to $12,000,000 (2018: $Nil) to a financial institution in respect of banking facility granted to the subsidiary.

The Company has evaluated the fair value of the corporate guarantee. Consequently, the Company is of the view that the fair value of the guarantee to the financial institution with regard to the subsidiary is not significant. The Company has not recognised any liability in respect of the guarantee given to the financial institution for credit facilities granted to the subsidiary as the Company's directors have assessed that the likelihood of the subsidiary defaulting on repayment is remote.

As at the end of the financial year, there is no utilisation of credit facility by the subsidiary. Such guarantee is in the form of a financial guarantee as they require the Company to reimburse the financial institution if the subsidiary to which the guarantee was extended fail to make principal or interest repayments when due in accordance with the terms of the borrowings. There has been no default or non-repayment since the utilisation of the banking facility.

As at the end of the financial year, the Company has also given undertakings to certain subsidiaries to provide continued financial support to these subsidiaries to enable them to meet their obligations as and when they fall due so that they will continue to operate as going concerns in the foreseeable future.

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	
	2019	2018
	$'000	$'000
- not later than one year	229	229
- one year through five years	357	586
	586	815

Capital commitments

	Group	
	2019	2018
	$'000	$'000
Capital expenditure authorised but not contracted for		
- Commitments for the acquisition of property, plant and equipment	521	–

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 sales of goods, 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.

Business segments

	Ship chartering services $'000	Ship building and repair services $'000	Total operations $'000
2019			
External revenue	16,549	13,632	30,181
Reportable segment results from operating activities	5,013	(1,716)	3,297
Share of losses in joint ventures	(5,370)	–	(5,370)
Reversal of impairment losses on investments in joint ventures	63	–	63
Finance income	1	6	7
Finance costs	–	(9)	(9)
Unallocated administrative expenses, net			(1,650)
Loss before income tax			(3,662)
Income tax expense			(203)
Loss for the financial year			(3,865)
Reportable segment assets	79,485	30,205	109,690
Investments in joint ventures	5,502	–	5,502
Unallocated assets			9,127
Total assets			124,319
Reportable segment liabilities	3,499	7,979	11,478
Unallocated liabilities			3,994
Total liabilities			15,472
Capital expenditure	2,444	1,822	4,266
Other material non-cash items:			
Depreciation of property, plant and equipment	5,044	2,388	7,432
Reversal of impairment losses on investments in joint ventures	(63)	–	(63)
Gain on disposal of property, plant and equipment, net	(4,536)	–	(4,536)
Gain from a bargain purchase	(182)	–	(182)

31. SEGMENT INFORMATION (CONTINUED)

Business segments (Continued)

	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
Investments 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
Other material non-cash items:			
Depreciation of property, plant and equipment	4,743	2,555	7,298
Reversal of impairment losses in joint ventures	(779)	–	(779)
Loss allowance on 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)

Geographical information

The Group operates mainly in Singapore, Indonesia, Australia, Myanmar, Taiwan and Malaysia 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 $6,970,000 (2018: $10,891,000) 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.

Group	Singapore	Indonesia	Australia	Myanmar	Taiwan	Malaysia	Others*	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
2019								
Revenue	13,420	7,825	40	1,497	1,223	5,382	794	30,181
Non – current assets	73,930	19,467	–	–	–	–	–	93,397
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

* Others comprise of Asian countries and Europe (2018: Asian countries, Dubai and Europe).

32. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS

Financial instruments

Offsetting financial assets and financial liabilities

The Company has a legally enforceable right to set off intercompany balances and intends to settle on a net basis. The following table presents the recognised financial instruments that are offset as at 30 September 2019 and 30 September 2018.

Company	Gross amount - financial asset $'000	Gross amount - financial liabilities $'000	Net amounts - presented in statement of financial position $'000
2019			
Amounts due from subsidiaries	133,631	(19,818)	113,813
2018			
Amounts due from subsidiaries	147,211	(25,495)	121,716

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)

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"), Malaysia Ringgit ("MYR") and Indonesia Rupiah ("IDR"). As a result, movements in USD, AUD, MYR 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 $'000	USD $'000	AUD $'000	IDR $'000	MYR $'000	Others* $'000	Total $'000
2019							
Financial assets							
Amount due from a joint venture (non-current)	–	12,531	–	–	–	–	12,531
Amounts due from joint venture (current)	–	1,926	–	–	–	–	1,926
Trade receivables	4,621	3,523	–	2,674	1,573	–	12,391
Other receivables and deposits	705	221	–	215	–	–	1,141
Cash and cash equivalents	3,258	9,042	750	400	116	3	13,569
	8,584	27,243	750	3,289	1,689	3	41,558

32. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

Financial risks (Continued)

Market risk (Continued)

Foreign currency risk (Continued)

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: (Continued)

Group	Singapore dollars $'000	USD $'000	AUD $'000	IDR $'000	MYR $'000	Others* $'000	Total $'000
2019							
Financial liabilities							
Trade payables	1,517	393	–	4,589	89	22	6,610
Other payables and accruals	2,472	1,488	–	201	–	32	4,193
Finance lease obligations	101	–	–	–	–	–	101
	4,090	1,881	-	4,790	89	54	10,904
Net financial assets/ (liabilities)	4,494	25,362	750	(1,501)	1,600	(51)	30,654
Less: Net financial assets denominated in their respective functional currencies	(4,494)	–	–	–	–	–	(4,494)
Net foreign currency exposure	–	25,362	750	(1,501)	1,600	(51)	26,160

* Others comprise of Thai Baht and Hong Kong dollar.

32. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

Financial risks (Continued)

Market risk (Continued)

Foreign currency risk (Continued)

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: (Continued)

Group	Singapore dollars $'000	USD $'000	AUD $'000	IDR $'000	Others* $'000	Total $'000
2018						
Financial assets						
Amount due from a joint venture	12	644	–	–	–	656
Trade receivables	2,198	851	67	1,042	223	4,381
Other receivables and deposits	454	76	1	47	1	579
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
Finance lease obligations	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 assets 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)

Financial risks (Continued)

Market risk (Continued)

Foreign currency risk (Continued)

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: (Continued)

Company 2019	Singapore dollars $'000	USD $'000	AUD $'000	Total $'000
Financial assets				
Amount due from a joint venture (non-current)	–	12,531	–	12,531
Amounts due from joint ventures (current)	–	1,388	–	1,388
Other receivables	27	5	–	32
Amounts due from subsidiaries (non-trade)	77,112	36,701	–	113,813
Cash and cash equivalents	1,976	4,968	716	7,660
	79,115	55,593	716	135,424
Financial liabilities				
Other payables and accruals	600	–	–	600
Net financial assets	78,515	55,593	716	134,824
Less: Net financial liabilities denominated in the Company's functional currency	(78,515)	–	–	(78,515)
Net foreign currency exposure	–	55,593	716	56,309

Company 2018	Singapore dollars $'000	USD $'000	AUD $'000	Total $'000
Financial assets				
Other receivables	44	10	1	55
Amounts due from subsidiaries (non-trade)	62,286	59,430	–	121,716
Cash and cash equivalents	6,578	5,824	743	13,145
	68,908	65,264	744	134,916
Financial liabilities				
Other payables and accruals	1,378	–	–	1,378
Net financial assets	67,530	65,264	744	133,538
Less: Net financial liabilities denominated in the Company's functional currency	(67,530)	–	–	(67,530)
Net foreign currency exposure	–	65,264	744	66,008

32. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

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:

2019	USD $'000	AUD $'000	IDR $'000	MYR $'000	Others $'000
Group					
Loss for the financial year	(2,105)	(62)	125	(133)	4
Company					
Loss for the financial year	(4,614)	(59)	–	–	–

2018	USD $'000	AUD $'000	IDR $'000	Others $'000
Group				
Profit for the financial year	(725)	(74)	186	(11)
Company				
Profit for the financial year	(5,417)	(62)	–	–

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)

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	2019 $'000	2018 $'000
More than one year – floating rates			
Amount due from a joint venture	3% + 1-month USD LIBOR	12,531	–

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 $104,000 (2018: $Nil). This is mainly attributable to the Group's exposure to interest rates on its variable rates loans to its joint venture.

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)

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				
2019				
Amount due from a joint venture (non-current)	–	–	12,531	12,531
Amounts due from joint ventures (current)	1,926	–	–	1,926
Trade receivables	12,391	–	–	12,391
Other receivables and deposits	1,141	–	–	1,141
Cash and cash equivalents	13,569	–	–	13,569
	29,027	–	12,531	41,558
2018				
Amount due from a joint venture (current)	656	–	–	656
Trade receivables	4,381	–	–	4,381
Other receivables and deposits	579	–	–	579
Cash and cash equivalents	17,947	–	–	17,947
	23,563	–	–	23,563
Undiscounted financial liabilities				
2019				
Trade payables	6,610	–	–	6,610
Other payables and accruals	4,193	–	–	4,193
Finance lease obligations	19	80	17	116
	10,822	80	17	10,919
2018				
Trade payables	4,510	1,624	–	6,134
Other payables and accruals	3,657	–	–	3,657
Finance lease obligations	58	80	36	174
	8,225	1,704	36	9,965
Total undiscounted net financial assets/ (liabilities)				
- at 30 September 2019	18,205	(80)	12,514	30,639
- at 30 September 2018	15,338	(1,704)	(36)	13,598

32. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

Financial risks (Continued)

Liquidity risk (Continued)

Company	On demand or within 1 year $'000	Within 2 to 5 years $'000	Over 5 years $'000	Total $'000
Undiscounted financial assets				
2019				
Amount due from a joint venture (non-current)	–	–	12,531	12,531
Amounts due from joint ventures (current)	1,388	–	–	1,388
Cash and cash equivalents	7,660	–	–	7,660
Other receivables	32	–	–	32
Amounts due from subsidiaries	113,813	–	–	113,813
	122,893	–	12,531	135,424
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
Undiscounted financial liabilities				
2019				
Other payables and accruals	600	–	–	600
	600	–	–	600
2018				
Other payables and accruals	1,378	–	–	1,378
	1,378	–	–	1,378
Total undiscounted net financial assets				
- at 30 September 2019	122,293	–	12,531	134,824
- at 30 September 2018	133,538	–	–	133,538

32. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

Financial risks (Continued)

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.

To assess and manage its credit risk, the Group categorises the aforementioned financial assets according to their risk of default. The Group defines default to have taken place when internal or/and external information indicates that the financial asset is unlikely to be received, which could include a breach of debt covenant, default of interest due for more than 30 days, but not later than when the financial asset is more than 90 days past due as per SFRS(I) 9's presumption.

The Group has not rebutted the presumption included in SFRS(I) 9 that there has been a significant increase in credit risk since initial recognition when financial assets are more than 30 days past due.

In their assessment, the management considers, amongst other factors, the latest relevant credit ratings from reputable external rating agencies where available and deemed appropriate, historical credit experiences, latest available financial information and latest applicable credit reputation of the debtor.

The Group's internal credit risk grading categories are as follows:

Category	Description	Basis of recognising ECL
1	Low credit risk [Note 1]	12-months ECL
2	Non-significant increase in credit risk since initial recognition and financial asset is ≤ 30 days past due	12-months ECL
3	Significant increase in credit risk since initial recognition [Note 2] or financial asset is > 30 days past due	Lifetime ECL
4	Evidence indicates that financial asset is credit-impaired [Note 3]	Difference between financial asset's gross carrying amount and present value of estimated future cash flows discounted at the financial asset's original effective interest rate
5	Evidence indicates that the management has no reasonable expectations of recovering the write off amount [Note 4]	Written off

32. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

Financial risks (Continued)

Credit risk (Continued)

Note 1. Low credit risk

The financial asset is determined to have low credit risk if the financial asset has a low risk of default, the counterparty has a strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the counterparty to fulfil its contractual cash flow obligations. Generally, this is the case when the Group assesses and determines that the debtor has been, is in and is highly likely to be, in the foreseeable future and during the (contractual) term of the financial asset, in a financial position that will allow the debtor to settle the financial asset as and when it falls due.

Note 2. Significant increase in credit risk

In assessing whether the credit risk of the financial asset has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial asset as of reporting date with the risk of default occurring on the financial asset as of date of initial recognition, and considered reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition. In assessing the significance of the change in the risk of default, the Group considers both past due (i.e. whether it is more than 30 days past due) and forward looking quantitative and qualitative information.

Forward looking information includes the assessment of the latest performance and financial position of the debtor, adjusted for the Group's future outlook of the industry in which the debtor operates based on independently obtained information (e.g. expert reports, analyst's reports etc.) and the most recent news or market talks about the debtor, as applicable. In its assessment, the Group will generally, for example, assess whether the deterioration of the financial performance and/or financial position, adverse change in the economic environment (country and industry in which the debtor operates), deterioration of credit risk of the debtor, etc. is in line with its expectation as of the date of initial recognition of the financial asset. Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contract payments are > 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Note 3. Credit impaired

In determining whether financial asset is credit-impaired, the Group assesses whether one or more events that have a detrimental impact on the estimated future cashflows of the financial asset have occurred. Evidence that a financial asset is credit impaired includes the following observable data:

- Significant financial difficulty of the debtor;
- Breach of contract, such as a default or being more than 90 days past due;
- It is becoming probable that the debtor will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for the financial asset because of financial difficulties.

32. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

Financial risks (Continued)

Credit risk (Continued)

Note 4. Write off

Generally, the Group writes off, partially or fully, the financial asset when it assesses that there is no realistic prospect of recovery of the amount as evidenced by, for example, the debtor's lack of assets or income sources that could generate sufficient cashflows to repay the amounts subjected to the write-off.

The Group performs ongoing credit evaluation of its counterparties' financial condition and generally does not require collateral.

During the financial year ended 30 September 2019, the Group write off $Nil (2018: $102,000) of trade receivables. The amounts were trade receivables from third parties which had been long outstanding, were not secured and had been fully impaired in previous years. In consideration of the aforementioned factors and the financial ability of the debtors, the Group assessed there was no reasonable expectation of recovery.

The Group and Company do not have any significant credit exposure to any single counterparty or any groups of counterparties having similar characteristics.

With reference to Note 30, the Company provides financial guarantee to financial institution in respect of credit facilities granted to a subsidiary. The date when the Company becomes a committed party to the guarantee is considered to be the date of initial recognition for the purpose of assessing the financial asset for impairment. In determining whether there has been a significant risk of a default occurring on the drawn-down facilities, the Company considered the change in the risk that the specified debtor (i.e. the applicable subsidiaries) will default on the contract. The Company assessed that the credit risk relating to the financial guarantees is insignificant to the Company.

As at the end of the financial year, other than as disclosed above, there was no significant concentration of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statements of financial position.

Trade receivables (Note 16)

The Group uses the practical expedient under SFRS(I) 9 in the form of allowance matrix to measure the ECL for trade receivables, where the loss allowance is equal to lifetime ECL.

The ECL for trade receivables are estimated using an allowance matrix by reference to the historical credit loss experience of the customers for the last 3 years prior to the respective reporting dates for various customer groups that are assessed by geographical locations, adjusted for forward looking factors specific to the debtors and the economic environment which could affect the ability of the debtors to settle the financial assets. In considering the impact of the economic environment on the ECL rates, the Company assesses, for example, the gross domestic production growth rates of the countries (e.g. Singapore, Malaysia, Indonesia, Myanmar and Taiwan) and the growth rates of the major industries which its customers operate in.

Trade receivables are written off when there is evidence to indicate that the customer is in severe financial difficulty such as being under liquidation or bankruptcy and there are no reasonable expectations for recovering the outstanding balances.

32. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

Financial risks (Continued)

Credit risk (Continued)

Trade receivables (Note 16) (Continued)

The loss allowance for trade receivables are determined as follows:

	Current	Past due 0 to 3 months	Past due more than 3 months	Total
	$'000	$'000	$'000	$'000
30 September 2019				
Expected credit loss rates	0%	0%	82%	
Trade receivables (gross)	3,392	4,869	22,362	30,623
Loss allowance	–	–	18,232	18,232
1 October 2018				
Expected credit loss rates	0%	0%	97%	
Trade receivables (gross)	1,611	2,131	18,667	22,409
Loss allowance	–	–	18,028	18,028

Reconciliations of the closing loss allowance for trade receivables to the opening loss allowance:

	Trade receivables
	$'000
At 1 October 2017	16,925
Allowance charged to profit or loss	1,931
Allowance written back during the financial year	(781)
Allowance written off during the financial year	(82)
Currency realignment	35
At 30 September 2018 based on FRS 39	18,028
Amount restated through opening accumulated profits	–
Opening loss allowance as at 1 October 2018 based on SFRS(I) 9	18,028
Currency realignment	204
At 30 September 2019	18,232

32. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

Financial risks (Continued)

Credit risk (Continued)

Other receivables, deposits paid and recoverable costs (Note 17)

As of 30 September 2019, the Group and the Company recorded other receivables, deposits and recoverable costs as disclosed in Note 17. The Group and the Company assessed the impairment loss allowance of these amounts on a 12-month ECL basis consequent to their assessment and conclusion that these receivables are of low credit risk. The Group and the Company assessed that the other receivables and deposits paid are made to parties with good credit reputation and concluded that there has been no significant increase in the credit risk since the initial recognition of the financial asset. Accordingly, the Group and the Company measured the impairment loss allowance using 12-month ECL and determined that the ECL is insignificant.

Amounts due from joint ventures (Note 13)

As of 30 September 2019, the Group and the Company recorded gross amounts due from joint ventures of $16,538,000 and $8,690,000 (2018: $21,756,000 and $7,909,000) respectively consequent to an extension of loans to the joint ventures. The Group and the Company impaired these receivables as the counterparty is facing significant financial difficulties and had delay in payment. As such, the Group and the Company determined that the loss allowance is $6,145 and $6,145 (2018: $5,034 and $5,034) respectively. An impairment of $1,111 is recognised in the Group's and Company's profit or loss during the financial year.

Amounts due from joint ventures (Note 14 and Note 18)

As of 30 September 2019, the Group and the Company recorded amounts due from joint ventures of $14,457,000 and $13,919,000 (2018: $656,000 and $Nil) respectively consequent to an extension of loans to the joint ventures. The Company assessed the impairment loss allowance of these amounts on a 12-month ECL basis consequent to their assessment and conclusion that these receivables are of low credit risk. In its assessment of the credit risk of the joint ventures, the Group and Company considered amongst other factors, the financial position of the joint ventures as of 30 September 2019, the past financial performance and cash flow trends, adjusted for the outlook of the industry and economy in which the joint venture operate in. Using 12-month ECL, the Group and the Company determined that the ECL is insignificant.

Amounts due from subsidiaries (Note 18)

As of 30 September 2019, the Company recorded amounts due from subsidiaries of $113,813,000 (2018: $121,716,000) consequent to an extension of loans to the subsidiaries. The Company assessed the impairment loss allowance of these amounts on a 12-month ECL basis consequent to their assessment and conclusion that these receivables are of low credit risk. In its assessment of the credit risk of the subsidiaries, the Company considered amongst other factors, the financial position of the subsidiaries as of 30 September 2019, the past financial performance and cash flow trends, adjusted for the outlook of the industry and economy in which the subsidiaries operate in. Using 12-month ECL, the Company determined that the ECL is insignificant.

32. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

Financial risks (Continued)

Credit risk (Continued)

The movement in the loss allowance during the financial year and the Group's exposure to credit risk in respect of the trade receivables, other receivables, deposits and recoverable costs and amounts due from joint ventures are as follows:

Group	Trade receivables			Other receivables, deposits paid and recoverable costs	Amounts due from joint ventures		
Internal credit risk grading	**Note (i)**	**Category 4**	**Total**	**Category 1**	**Category 1**	**Category 4**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Loss allowance							
At 1 October 2018	–	18,028	18,028	–	–	5,034	5,034
Loss allowance	–	–	–	–	–	1,111	1,111
Currency realignment	–	204	204	–	–	–	–
At 30 September 2019	–	18,232	18,232	–	–	6,145	6,145
Gross carrying amount							
At 1 October 2018	4,381	18,028	22,409	579	656	21,756	22,412
At 30 September 2019	12,391	18,232	30,623	1,141	14,457	16,538	30,995
Net carrying amount							
At 1 October 2018	4,381	–	4,381	579	656	16,722	17,378
At 30 September 2019	12,391	–	12,391	1,141	14,457	10,393	24,850

Note (i): For trade receivables, the Group uses the practical expedient under SFRS(I) 9 in the form of an allowance matrix to measure the ECL, where the loss allowance is equal to lifetime ECL. No loss allowance was recognised with respect to these trade receivables.

32. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

Financial risks (Continued)

Credit risk (Continued)

The movement in the loss allowance during the financial year and the Company's exposure to credit risk in respect of the other receivables, recoverable costs, amounts due from subsidiaries and amounts due from joint ventures are as follows:

Company	Other receivables and recoverable costs	Amounts due from subsidiaries	Amounts due from joint ventures		
Internal credit risk grading	Category 1	Category 1	Category 1	Category 4	Total
	$'000	$'000	$'000	$'000	$'000
Loss allowance					
At 1 October 2018	–	–	–	5,034	5,034
Loss allowance	–	–	–	1,111	1,111
At 30 September 2019	–	–	–	6,145	6,145
Gross carrying amount					
At 1 October 2018	55	121,716	–	7,909	7.909
At 30 September 2019	32	113,813	13,919	8,690	22,609
Net carrying amount					
At 1 October 2018	55	121,716	–	2,875	2,875
At 30 September 2019	32	113,813	13,919	2,545	16,464

Comparative information under FRS 39 *Financial Instruments: Recognition and Measurement* ("FRS 39")

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.

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
	$'000
By geographical areas	
- Singapore	2,413
- Indonesia	1,096
- Other countries	872
	4,381

32. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

Financial risks (Continued)

Credit risk (Continued)

Comparative information under FRS 39 *Financial Instruments: Recognition and Measurement* ("FRS 39") (Continued)

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: (Continued)

Group	2018 $'000
By types of customers	
- Related parties	27
- Third parties	4,354
	4,381

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

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

Group	2018 $'000
Not past due and not impaired	1,611
Past due but not impaired	
- past due 0 to 3 months	2,131
- past due over 3 months	639
	4,381
Past due and impaired trade receivables	18,028
Less: Allowance for impairment loss	(18,028)
	4,381

32. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

Financial risks (Continued)

Credit risk (Continued)

Comparative information under FRS 39 *Financial Instruments: Recognition and Measurement* ("FRS 39") (Continued)

The movement in allowance for impairment loss is as follows:

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

In the previous financial year, included in the Group's trade receivable balance were debtors with total carrying amount of approximately $2,770,000, which were past due but not impaired as there had not been a significant change in credit quality and the amounts were still considered recoverable. The Group did 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 SFRS(I) 13 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 finance lease obligations disclosed in Note 24, 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 2019 and financial year ended 30 September 2018.

The Group's overall strategy remains unchanged from 2018.

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

In the previous financial years, the Group 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").

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 Debt Restructuring Exercise. Accordingly, the Company has fully discharged its obligations to the respective scheme creditors and the Noteholders.

Following the completion of the debt restructuring exercise on 25 January 2018, the relevant effects 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 share capital as at 30 September 2018	26	3,524,529,761	155,671

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 effects are disclosed as follows: (Continued)

Allotment and issuance of new ordinary shares (Continued)

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

(2) issued and allotted 983,619,763 new shares at an issue price of $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 $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 $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

In the previous financial year, 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 $179,878,000 were waived as disclosed in Note 5.

36. ADOPTION OF NEW FINANCIAL REPORTING FRAMEWORK AND ACCOUNTING POLICIES AND RESTATEMENT OF COMPARATIVE INFORMATION

As a first-time adopter of SFRS(I), the Group has retrospectively applied the accounting policies based on each applicable SFRS(I) effective as at 30 September 2019, being the end of the first SFRS(I) reporting period, except for areas of mandatory exceptions and the application of certain optional exemptions (see below) as set out in SFRS(I) 1. In the adoption of SFRS(I), the Group concurrently applied the following relevant new and amended SFRS(I)s and SFRS(I)s INT that are similarly mandatorily effective from 1 October 2018:

SFRS(I) 2	*Amendments to SFRS(I) 2: Classification and measurement of share- based payment transactions*
SFRS(I) 9	*Financial instruments ("SFRS(I) 9")*
SFRS(I) 15	*Revenue from contracts with customers ("SFRS(I) 15")*
SFRS(I) 1-40	*Amendments to SFRS(I) 1-40: Transfers of investment property*
SFRS(I) INT 22	*Foreign currency transactions and advance consideration*

Improvements to SFRS(I) (December 2016)
- Amendments to SFRS(I) 1-28: *Measuring an associate or joint venture at fair value*

The application of SFRS(I)s did not have significant impact on the Company's separate financial statements. Accordingly, the statement of financial position as at 1 October 2017 of the Company's separate financial statements was not presented. Except as described below, the application of SFRS(I) did not have a significant impact on the Group's financial statements.

<u>SFRS(I) 15 *Revenue from Contracts with Customers*</u>

SFRS(I) 15 established a comprehensive framework which specifies how and when revenue should be recognised as well as to provide users of financial statements useful information about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. SFRS(I) 15 also specifies the accounting for incremental costs of obtaining a contract and costs incurred to fulfil a contract.

The Group has adopted the five-step model which requires (i) its identification of the contract; (ii) its 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 Group recognises revenue to depict the transfer of promised goods or services to its customers in an amount that reflects the consideration which the Group expects to be entitled in exchange for those goods or services.

Under SFRS(I) 15, the entity's obligation to transfer goods or services to a customer for which the entity has received consideration (or an amount of consideration is due) from the customer is recognised as a contract liability. This balance was previously recognised in trade and other payables and so has been reclassified with the adoption of SFRS(I) 15.

36. ADOPTION OF NEW FINANCIAL REPORTING FRAMEWORK AND ACCOUNTING POLICIES AND RESTATEMENT OF COMPARATIVE INFORMATION (CONTINUED)

Restatement of comparative figures

Reclassifications have been made to the prior year's financial statements to enhance comparability with the current year's financial statements.

The effects of adopting SFRS(I) 15 and restatement of comparative figures which resulted in the reclassification of certain accounts are summarised below:

	Note	30 September 2018	Reclassification	30 September 2018
		$'000	$'000	$'000
		As previously stated		Restated
Statements of financial position				
Trade receivables	(i)	3,996	385	4,381
Other receivables, deposits and prepayments	(i)	2,288	(1,041)	1,247
Amounts due from joint ventures	(i)	–	656	656
Gross amounts due to customers for construction contracts	(ii)	5	(5)	–
Contract liabilities	(ii)	–	395	395
Other payables and accruals	(ii)	4,130	(390)	3,740
Consolidated statement of cash flows				
Changes in working capital:				
Due from/(to) customers for construction contracts	(ii)	3,020	(3,020)	–
Contract liabilities	(ii)	–	3,410	3,410
Trade and other payables	(ii)	(9,253)	(390)	(9,643)

The nature of the adjustments is described as below:

(i) Reclassifications have been made to the prior year's financial statements to enhance comparability with the current year's financial statements.

(ii) Under SFRS(I) 15, the consideration received from customers prior to fulfilling the performance obligations as stated in the contract is recognised as contract liabilities. This balance was previously recognised in gross amounts due to customers for construction contracts and trade and other payables and so has been reclassified with the adoption of SFRS(I) 15.

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

The opening statement of financial position as at 1 October 2017 has not been presented as management is of the view that there is no impact on the Company's net equity position. Further, the impact of reclassification has no material effect on the information in the statement of financial position at the beginning of the preceding period.

STATISTICS OF SHAREHOLDINGS

As at 11 December 2019

NO. OF ISSUE 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	NIL	NIL	NIL	NIL
100 - 1,000	195	5.77	187,562	0.01
1,001 - 10,000	906	26.78	6,124,257	0.17
10,001 - 1,000,000	2,153	63.64	316,521,172	8.99
1,000,001 AND ABOVE	129	3.81	3,197,495,370	90.83
TOTAL :	3,383	100.00	3,520,328,361	100.00

Substantial Shareholders' Information

Substantial Shareholder	Number of Shares Direct Interest	%	Deemed Interest	%
Apricot Capital Pte Ltd ("ACPL")	607,142,857(1)	17.25%	71,428,571(2)	2.03%
Lee Wan Tang	14,826,200	0.42%	367,335,113(3)	10.43%
Nautical International Holdings Ltd	200,418,974	5.69%	160,335,179(4)	4.55%
Yanlord Capital Pte. Ltd.	303,571,428	8.62%	35,714,286(5)	1.01%
Zhong Sheng Jian	200,000	0.01%	339,445,714(6)	9.64%
Penguin International Limited	303,571,428	8.62%	35,714,286(7)	1.01%
Teo Kee Bock	2,414,900	0.07%	678,571,428(8)	19.28%

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

(2) ACPL is deemed interested in 71,428,571 shares are held by Watiga Trust Pte. Ltd. on behalf of ACPL.

(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 holds 660,003 ordinary shares in Nautical International Holdings Ltd; and (b) the shares of the Company as a result of 166,916,139 bonus warrants issued and alloted on 29 January 2018.

(4) Nautical International Holdings Ltd has deemed interest in the Company as a result of 160,335,179 bonus warrants which was issued and alloted on 29 January 2018.

(5) Yanlord Capital Pte. Ltd. holds a total of 339,285,714 of the shares in the Company, of which 303,571,428 shares are held directly, and 35,714,286 shares are held by Watiga Trust Pte. Ltd. on behalf of Yanlord Capital Pte. Ltd.

(6) Zhong Sheng Jian is deemed interested in: (a) the 339,285,714 shares held by Yanlord Capital Pte. Ltd.; and (b) the shares of the Company as a result of 160,000 bonus warrants issued and alloted to Zhong Sheng Jian on 29 January 2018.

(7) Penguin International Limited holds a total of 339,285,714 of the shares in the Company, of which 303,571,428 shares are held directly, and 35,714,286 shares are held by Watiga Trust Pte. Ltd. on behalf of Penguin International Limited.

(8) Teo Kee Bock owns 20% equity interest in Apricot Capital (Cayman) Ltd ("ACCL") and is therefore deemed to be interested in the shares of the Company held by ACCL through ACPL.

STATISTICS OF SHAREHOLDINGS

As at 11 December 2019

Compliance with Rule 723 of the SGX-ST Listing Manual

Based on information available and to the best of the Company, as at 11 December 2019, approximately 51.09% 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 11 December 2019

As at 11 December 2019, 4,201,400 ordinary shares are held as treasury shares, representing 0.12% of the total number of issued shared excluding treasury shares.

TWENTY LARGEST SHAREHOLDERS AS AT 11 DECEMBER 2019

NO.	NAME	NO. OF SHARES	%
1.	DBS NOMINEES PTE LTD	780,380,506	22.17
2.	UOB KAY HIAN PTE LTD	344,422,488	9.78
3.	PENGUIN INTERNATIONAL LIMITED	303,571,428	8.62
4.	YANLORD CAPITAL PTE LTD	303,571,428	8.62
5.	NAUTICAL INTERNATIONAL HOLDINGS LTD	200,418,974	5.69
6.	RAFFLES NOMINEES (PTE) LIMITED	159,520,614	4.53
7.	LIM CHAP HUAT	151,785,714	4.31
8.	CITIBANK NOMINEES SINGAPORE PTE LTD	95,737,056	2.72
9.	SINGAPORE ENTERPRISES PTE LTD	86,618,414	2.46
10.	CGS-CIMB SECURITIES (SINGAPORE) PTE LTD	68,962,000	1.96
11.	SF VENTURES PTE LTD	57,142,857	1.62
12.	MAYBANK KIM ENG SECURITIES PTE LTD	54,822,900	1.56
13.	CATERPILLAR FINANCIAL SERVICES ASIA PTE LTD	48,858,171	1.39
14.	HO LEE GROUP PTE LTD	40,535,715	1.15
15.	OCBC SECURITIES PRIVATE LTD	36,762,111	1.05
16.	KINGPIN INVESTMENT (PTE LTD)	34,780,351	0.99
17.	UNITED OVERSEAS BANK NOMINEES PTE LTD	31,329,400	0.89
18.	PHILLIP SECURITIES PTE LTD	26,062,300	0.74
19.	DB NOMINEES (SINGAPORE) PTE LTD	23,029,000	0.66
20.	HSBC (SINGAPORE) NOMINEES PTE LTD	16,996,000	0.48
	TOTAL :	2,865,307,427	81.39

STATISTICS OF WARRANTHOLDINGS

As at 11 December 2019

ANALYSIS OF WARRANTHOLDERS BY RANGE

SIZE OF WARRANTHOLDINGS	NO. OF WARRANTHOLDERS	%	NO. OF WARRANTS	%
1 - 99	14	0.64	680	0.00
100 - 1,000	192	8.71	151,769	0.05
1,001 - 10,000	944	42.85	5,243,370	1.95
10,001 - 1,000,000	1,037	47.07	54,344,260	20.20
1,000,001 AND ABOVE	16	0.73	209,338,798	77.80
TOTAL :	2,203	100.00	269,078,877	100.00

TWENTY LARGEST WARRANTHOLDERS AS AT 11 DECEMBER 2019

NO.	NAME	NO. OF SHARES	%
1.	NAUTICAL INTERNATIONAL HOLDINGS LTD	160,335,179	59.59
2.	TAN HAI PENG MICHEAL	7,840,000	2.91
3.	LIM KIAN HONG (LIN JIANHONG)	6,918,600	2.57
4.	LEE WAN TANG	6,580,960	2.44
5.	RAFFLES NOMINEES (PTE) LIMITED	4,053,820	1.51
6.	DBS NOMINEES PTE LTD	3,764,800	1.40
7.	WWIG PTE LTD	2,726,100	1.01
8.	MAYBANK KIM ENG SECURITIES PTE LTD	2,679,199	1.00
9.	DBS VICKERS SECURITIES (S) PTE LTD	2,548,000	0.95
10.	UOB KAY HIAN PTE LTD	2,439,120	0.91
11.	CITIBANK NOMINEES SINGPORE PTE LTD	2,090,400	0.78
12.	PHILLIP SECURITIES PTE LTD	1,810,620	0.67
13.	UNITED OVERSEAS BANK NOMINEES PTE LTD	1,633,760	0.61
14.	OCBC SECURITIES PRIVATE LTD	1,444,240	0.53
15.	LOI WIN YEN	1,360,000	0.51
16.	ZHONG SILIANG	1,114,000	0.41
17.	EIO HOCK CHUAR	940,000	0.35
18.	SOH LYE HOCK	880,000	0.33
19.	OCBC NOMINEES SINGAPORE PTE LTD	872,720	0.32
20.	JEN SHEK CHUEN	800,000	0.30
	TOTAL :	212,831,518	79.10

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Fourteenth Annual General Meeting of the Company will be held at 66 Kallang Pudding Road #07-01 Singapore 349324 on Tuesday, 21 January 2020 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 2019 together with the Directors' Statement and the Independent Auditor's Report thereon. **(Resolution 1)**

2. To approve the payment of Directors' Fees of S$182,000 for the financial year ending 30 September 2020. (2019: S$235,000) **(Resolution 2)**

3. To note that Mr Lim Han Boon will be retiring as a Director of the Company pursuant to Regulation 103 of the Constitution of the Company, and he will not be seeking for re-election at this Annual General Meeting.

   Mr Lim Han Boon, upon his retirement at the conclusion of the Annual General Meeting, shall cease to be the Lead Independent Director, Chairman of the Audit Committee, Member of the Nominating Committee, and Member of the Remuneration Committee of the Company.

4. To note that Mr Lee Wan Tang will be retiring as a Director of the Company pursuant to Regulation 103 of the Constitution of the Company, and he will not be seeking for re-election at this Annual General Meeting.

   Mr Lee Wan Tang, upon his retirement at the conclusion of the Annual General Meeting, shall cease to be the Executive Chairman of the Group.

5. To re-appoint Mazars LLP as Independent Auditor of the Company and to authorise the Directors to fix their remuneration. **(Resolution 3)**

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 4)**

   "That pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806(2) of the Listing Manual of the Singapore Exchange Securities Trading Limited (the "SGX-ST"), authority be and is hereby given to the Directors of the Company to: -

   (a) (i) issue shares in the capital of the Company ("shares") whether by way of rights, bonus or otherwise; and/or

   (ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares,

   at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

(b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force,

provided that: -

(1) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed fifty per cent. (50%) of the Company's total number of issued shares [excluding treasury shares and shares (if any) held by a subsidiary] (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro-rata basis to existing shareholders of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed twenty per cent. (20%) of the Company's total number of issued shares [excluding treasury shares and shares (if any) held by a subsidiary] (as calculated in accordance with sub-paragraph (2) below). Unless prior shareholder approval is required under the Listing Manual of the SGX-ST, an issue of treasury shares will not require further shareholder approval, and will not be included in the aforementioned limits.

(2) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the total number of issued shares [excluding treasury shares and shares (if any) held by a subsidiary] is based on the Company's total number of issued shares excluding treasury shares and shares (if any) held by a subsidiary at the time this Resolution is passed, after adjusting for:

(i) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed; and

(ii) any subsequent bonus issue, consolidation or subdivision of shares.

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution for the time being of the Company; and

(4) (unless revoked or varied by the Company in general meeting) the authority conferred by this Resolution shall 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 the earlier."

7. Authority to allot and issue shares under the Marco Polo Marine Ltd. Restricted Share Scheme and Performance Share Scheme. **(Resolution 5)**

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 2019; 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 6)**

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.

By Order of the Board

Lawrence Kwan
Secretary

Singapore, 6 January 2020

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. 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 4. If passed, is to empower the Directors from the date of the above Meeting until the date of the next Annual General Meeting, to allot and issue shares and convertible securities in the Company. The aggregate number of shares (including any shares issued pursuant to the convertible securities) which the Directors may allot and issue under this Resolution will not exceed fifty per cent. (50%) of the Company's total number of issued shares excluding treasury shares and shares (if any) held by a subsidiary of the Company. For issues of shares other than on a pro rata basis to all shareholders, the aggregate number of shares to be issued will not exceed twenty per cent. (20%) of Company's total number of issued shares excluding treasury shares and shares (if any) held by a subsidiary of the Company. This authority will, unless previously revoked or varied at a general meeting, expire at 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. However, notwithstanding the cessation of this authority, the Directors are empowered to issue shares pursuant to any Instrument made or granted under this authority

Resolution 5. 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 2019; 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 2019, the total number of shares, which may be issued or issuable in respect of such Awards, is 123,211,492 shares.

Resolution 6. 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.

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 6 January 2020.

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 Tuesday, 21 January 2020 at 10:30 a.m. and at any adjournment thereof.

As Ordinary Resolutions		**For**	**Against**
Resolution No.	**ORDINARY BUSINESS**		
1.	To receive and adopt the Audited Financial Statements for the financial year ended 30 September 2019 together with the Directors' Statement and the Independent Auditor's Report thereon.		
2.	To approve the payment of Directors' Fees of S$182,000 for the financial year ending 30 September 2020. (2019: S$235,000)		
3.	To re-appoint Mazars LLP as Independent Auditor and to authorise the Directors to fix their remuneration.		
	SPECIAL BUSINESS		
4.	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(2) of the Listing Manual of the Singapore Exchange Securities Trading Limited (the "SGXST")		
5.	To authorise Directors to allot and issue shares under the Marco Polo Marine Ltd. Restricted Share Scheme and Performance Share Scheme.		
6.	To authorise Directors to allot and issue shares under the Marco Polo Marine Ltd. Employee Share Option Scheme.		

(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.Ordinary Resolutions to be passed.

Dated this __________ day of____________, 2020

Total number of Ordinary Shares in:	**Number of Ordinary Shares**
(a) CDP Register	
(b) Register of Members	

____

Signature(s) of Member(s)/Common Seal of Corporate Member

* 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 Companies Act, Cap. 50 of Singapore (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.

MARCO POLO MARINE LTD
Registration Number: 200610073Z

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