



MARCO POLO MARINE LTD
Company Registration No. 200610073Z

UNAUDITED FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE SECOND HALF FINANCIAL YEAR (“H2FY2020”) AND FULL FINANCIAL YEAR ENDED 30 SEPTEMBER 2020 (“FY2020”)

PART1 INFORMATION REQUIRED FOR ANNOUNCEMENT OF HALF YEARLY (H1 & H2), FULL YEAR RESULTS

1. (a)(i) An income statement (for the group) together with a comparative statement for the corresponding period of the immediate preceding financial year.

	Group			Group		
	H2FY2020	H2FY2019	% Change	FY2020	FY2019	% Change
	S\$'000	S\$'000		S\$'000	S\$'000	
Revenue	12,287	17,761	(31)	30,849	30,181	2
Cost of sales	(11,283)	(14,778)	(24)	(26,423)	(24,500)	8
Gross profit	1,004	2,983	(66)	4,426	5,681	(22)
Other operating income	855	7,962	(89)	1,512	7,537	(80)
Administrative expenses	(3,067)	(3,330)	(8)	(6,321)	(6,324)	-
Other operating expenses	(5,347)	(2,939)	(82)	(5,770)	(5,177)	11
Profit/(Loss) from operations	(6,555)	4,676	NM	(6,153)	1,717	NM
Finance costs	(19)	(3)	NM	(36)	(9)	NM
Share of losses in joint ventures	(1,784)	(3,596)	(50)	(2,816)	(5,370)	(48)
Loss before income tax	(8,358)	1,077	NM	(9,005)	(3,662)	NM
Income tax expense	(149)	(120)	24	(210)	(203)	3
Profit/(Loss) for the financial period	(8,507)	957	NM	(9,215)	(3,865)	NM
Loss attributable to:-						
Equity holders of the Company	(8,507)	957	NM	(9,215)	(3,865)	NM
	(8,507)	957	NM	(9,215)	(3,865)	NM

“H2FY2020” denotes the second half financial year ended 30 September 2020 (“FY2020”).

“FY2020” denotes the full financial year of FY2020.

“H2FY2019” denotes the second half financial year ended 30 September 2019 (“FY2019”).

“FY2019” denotes the full financial year of FY2019.

“% Change” denotes increase/(decrease) in the relevant profit or loss item as compared with the comparative figure.

“NM” denotes not meaningful.

1.(a)(ii) A statement of comprehensive income for the group together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group			Group		
	H2FY2020	H2FY2019	% Change	FY2020	FY2019	% Change
	S\$'000	S\$'000		S\$'000	S\$'000	
Profit/(Loss) for the financial period / year	(8,507)	957	NM	(9,215)	(3,865)	NM
Other comprehensive (loss)/income:						
Share of other comprehensive income of a joint venture	-	-	NM	1	42	(98)
Exchange difference arising from translation foreign operations	(607)	(1,117)	(46)	(74)	(626)	(88)
Total comprehensive loss	(9,114)	(160)	NM	(9,288)	(4,449)	NM
Total comprehensive loss attributable to:-						
Equity holders of the Company	(9,114)	(160)	NM	(9,288)	(4,449)	NM

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

	Group			Group		
	H2FY2020	H2FY2019	% Change	FY2020	FY2019	% Change
	S\$'000	S\$'000		S\$'000	S\$'000	
Profit/(Loss) before income tax has been arrived at after charging/(crediting):						
Depreciation of right-of-use assets	173	-	NM	308	-	NM
Depreciation of property, plant and equipment	3,455	3,655	(5)	7,011	7,432	(6)
Net foreign currency exchange (gain)/loss	1,968	(2,210)	NM	343	(1,086)	NM
Gain on disposal of property, plant and equipment	(7)	(4,536)	(99)	(32)	(4,536)	(99)
Interest income	(223)	(179)	25	(571)	(298)	92
Interest expenses	19	3	NM	36	9	NM
Share-based payment expense	-	42	NM	41	83	(51)
Loss allowance on trade receivables	58	-	NM	58	-	NM
Bad debts recovered	(154)	(398)	(61)	(154)	(414)	(63)
Inventories written down	447	-	NM	447	16	NM
Reversal of impairment on investments in joint ventures	-	(63)	(NM)	-	(63)	NM
Gain on bargain purchase of a previously held joint venture	-	(182)	NM	-	(182)	NM

1.(a)(iv) Breakdown of material items under Other Income:

	Group			Group		
	H2FY2020	H2FY2019	% Change	FY2020	FY2019	% Change
	S\$'000	S\$'000		S\$'000	S\$'000	
Net foreign currency exchange gain	-	2,210	NM	-	1,086	NM
Gain on disposal of property, plant and equipment	7	4,536	(99)	32	4,536	(99)
Interest income	223	179	25	571	298	92
Bad debts recovered	154	398	(61)	154	414	(63)
Government grants	377	-	NM	377	14	NM
Reversal of impairment on investment in joint venture	-	63	NM	-	63	NM
Gain from bargain purchase	-	182	NM	-	182	NM
Insurance claims	-	-	NM	93	-	NM
Sale of scrap metals	42	77	(45)	106	116	(9)

1.(a)(v) Breakdown of material items under Other Operating Expenses:

	Group			Group		
	H2FY2020	H2FY2019	% Change	FY2020	FY2019	% Change
	S\$'000	S\$'000		S\$'000	S\$'000	
Depreciation of right-of-use assets	173	-	NM	308	-	NM
Depreciation of property, plant and equipment	1,751	927	89	2,414	2,275	6
Net foreign currency exchange loss	1,968	-	NM	343	-	NM
Reactivation costs of vessels being classified under Other Operating Expenses	64	739	(91)	589	739	(20)
Security expenses for shipyard	128	144	(11)	272	292	(7)
Rental expenses	-	114	NM	-	226	NM
License and permits	22	100	(78)	63	230	(73)
Loss allowance on trade receivables	58	-	NM	58	-	NM
Inventories written down	447	-	NM	447	14	NM

1.(b)(i) A balance sheet (for the issuer and group) together with a comparative statement as at the end of the immediately preceding financial year.

	Group		Company	
	As at	As at	As at	As at
	30 September	30 September	30 September	30 September
	2020	2019	2020	2019
	S\$'000	S\$'000	S\$'000	S\$'000
Non-current assets				
Property, plant and equipment	74,898	75,364	-	-
Right-of-use assets	693	-	-	-
Investments in subsidiaries	-	-	4,320	4,320
Investments in joint ventures	-	5,502	-	2,545
Amount due from a joint venture	12,328	12,531	12,328	12,531
	87,919	93,397	16,648	19,396
Current assets				
Inventories	903	1,321	-	-
Trade receivables	7,946	12,391	-	-
Other receivables, deposits and prepayment	1,337	1,715	53	77
Amounts due from subsidiaries (non-trade)	-	-	115,174	113,813
Amounts due from joint ventures (non-trade)	1,623	1,926	1,401	1,388
Cash and cash equivalents	13,593	13,569	8,355	7,660
	25,402	30,922	124,983	122,938
Total assets	113,321	124,319	141,631	142,334
Current liabilities				
Contract liabilities	1,001	71	-	-
Trade payables	3,443	6,610	-	-
Other payables and accruals	4,427	4,233	329	600
Deferred income	172	172	-	-
Lease liabilities	282	15	-	-
Income tax payable	849	1,068	-	-
	10,174	12,169	329	600
Non-current liabilities				
Deferred income	3,124	3,217	-	-
Lease liabilities	342	86	-	-
	3,466	3,303	-	-
Total liabilities	13,640	15,472	329	600
Net assets	99,681	108,847	141,302	141,734
Share capital and reserves				
Share capital	155,752	155,671	155,752	155,671
Treasury shares	(1,203)	(1,203)	(1,203)	(1,203)
Capital reserve	634	634	-	-
Employee share option reserve	560	519	-	-
Other reserve	158	157	-	-
Foreign currency translation reserve	1,191	1,265	-	-
Accumulated losses	(57,411)	(48,196)	(13,247)	(12,734)
Total equity	99,681	108,847	141,302	141,734

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

	Group	
	As at	As at
	30 September	30 September
	2020	2019
	S\$'000	S\$'000
Amount repayable in one year or less or on demand Secured*	16	15
Amount repayable after one year Secured*	70	86

Details of any collateral

* These relate to finance leases secured against certain property, plant and equipment of the Group.

1.(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group		Group	
	H2FY2020	H2FY2019	FY2020	FY2019
	S\$'000	S\$'000	S\$'000	S\$'000
Cash flow from operating activities				
(Loss)/profit before income tax	(8,358)	1,077	(9,005)	(3,662)
Adjustments for:				
Depreciation of right-of-use assets	173	-	308	-
Depreciation of property, plant and equipment	3,455	3,655	7,011	7,432
Inventories written down	447	16	447	16
Loss allowance on trade receivables	58	-	58	-
Bad debts recovered	(154)	(414)	(154)	(414)
Interest expense	19	3	36	9
Interest income	(223)	(179)	(571)	(298)
Reversal of impairment loss on investment in joint ventures	-	(63)	-	(63)
Share-based payment expense	-	42	41	83
Share of losses in joint ventures	1,784	3,596	2,816	5,370
Gain on bargain purchase of a previously held joint venture	-	(182)	-	(182)
Gain on disposal of property, plant and equipment	(7)	(4,536)	(32)	(4,536)
Foreign exchange difference	1,882	(2,298)	785	(1,273)
Operating (loss)/profit before working capital changes	(924)	717	1,740	2,482
Movement in working capital				
Inventories	154	20	(29)	89
Trade and other receivables	5,842	(4,557)	4,770	(8,264)
Contract liabilities	875	(229)	930	(324)
Trade and other payables	(862)	1,655	(2,973)	964
Cash generated from/(used in) operations	5,085	(2,394)	4,438	(5,053)
Income tax	(457)	(159)	(377)	(265)
Net cash generated from/(used in) operating activities	4,628	(2,553)	4,061	(5,318)
Cash flows from investing activities				
Purchase of property, plant and equipment	(6,085)	(3,695)	(6,966)	(4,266)
Proceeds from disposal of property, plant and equipment	7	5,233	32	5,233
Repayment from a joint venture	-	1,423	2,558	1,423
Cash inflow for step-acquisition of a joint venture, net of cash acquired	-	187	-	187
Advances to joint ventures	-	(1,381)	-	(1,796)
Net cash (used in)/generated from investing activities	(6,078)	1,767	(4,376)	781
Cash flows from financing activities				
Interest received	234	77	648	184
Repayment of lease liabilities, net	(193)	(13)	(325)	(53)
Interest paid on lease liabilities	(2)	(3)	(4)	(9)
Proceeds from exercise of warrants	-	-	81	-
Net cash generated from financing activities	39	61	400	122
Net (decrease)/ increase in cash and cash equivalents	(1,411)	(725)	85	(4,415)
Cash and cash equivalents at beginning of the period	15,269	14,173	13,569	17,947
Effect of exchange rate changes on cash and cash equivalents	(265)	121	(61)	37
Cash and cash equivalents at end of the financial period	13,593	13,569	13,593	13,569

1.(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalization issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediate preceding financial year.

Group	Share capital	Treasury shares	Capital reserve	Employee share option reserve	Foreign currency translation reserve	Accumulated losses	Other reserves	Total equity
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Balance as at 1 October 2019	155,671	(1,203)	634	519	1,265	(48,196)	157	108,847
Loss for the financial period	-	-	-	-	-	(9,215)	-	(9,215)
Other comprehensive (loss)/income, net of tax	-	-	-	-	(74)	-	1	(73)
Total comprehensive (loss)/income for the financial period	-	-	-	-	(74)	(9,215)	1	(9,288)
Issuance of shares pursuant to the exercise of warrants	81	-	-	-	-	-	-	81
Employee share option	-	-	-	41	-	-	-	41
Balance as at 30 September 2020	155,752	(1,203)	634	560	1,191	(57,411)	158	99,681
Balance as at 1 October 2018	155,671	(1,203)	634	436	1,891	(44,331)	115	113,213
Profit for the financial period	-	-	-	-	-	(3,865)	-	(3,865)
Other comprehensive income, net of tax	-	-	-	-	(626)	-	42	(584)
Total comprehensive income for the financial period	-	-	-	-	(626)	(3,865)	42	(4,449)
Employee share option	-	-	-	83	-	-	-	83
Balance as at 30 September 2019	155,671	(1,203)	634	519	1,265	(48,196)	157	108,847

Company	Share capital	Treasury share	Accumulated losses	Total
	\$'000	\$'000	\$'000	\$'000
Balance at 1 October 2019	155,671	(1,203)	(12,734)	141,734
Total comprehensive loss for the financial period	-	-	(513)	(513)
Issuance of shares pursuant to the exercise of warrants	81	-	-	81
Balance at 30 September 2020	155,752	(1,203)	(13,247)	141,302
Balance at 1 October 2018	155,671	(1,203)	(12,571)	141,897
Total comprehensive income for the financial period	-	-	(163)	(163)
Balance at 30 September 2019	155,671	(1,203)	(12,734)	141,734

1.(d)(ii) Details of any changes in company's share capital arising from rights issue, bonus issue, share buy backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as at the end of the current financial period reported on and as at the end of the corresponding period of the immediate preceding financial year.

On 9 July 2012, the shareholders of the Company approved the adoption of: (a) a restricted share scheme; (b) a performance share scheme; and (c) an employee share option scheme ("ESOS").

On 24 April 2013, pursuant to the ESOS, the Company granted 5,110,000 share options to the Directors of the Company and employees of the Group, each of which is capable of being exercised into a new ordinary share of the Company (the "Share") at an exercise price of S\$0.415 each (the "2013 ESOS Options").

On 28 April 2015, pursuant to the ESOS, the Company granted 5,720,000 share options to the Directors of the Company and employees of the Group, each of which is capable of being exercised into a new Share at an exercise price of S\$0.275 each (the "2015 ESOS Options").

On 30 January 2019, the Company issued and allotted 269,238,877 free warrants (the "Warrants") on the basis of eight Warrants for every 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 months from the date of listing of the Warrants on the Singapore Exchange Securities Trading Limited (the "SGX-ST") on 2 February 2019 and expiring on the date immediately preceding 30 January 2023, being the fifth anniversary of the date of issue of the Warrants.

As at 30 September 2020, the following securities, which are capable of being exercised into Shares, remain outstanding:

1. 2,790,000 2013 ESOS Options (30 September 2019: 3,380,000 2013 ESOS Options);
2. 2,910,000 2015 ESOS Options (30 September 2019: 4,050,000 2015 ESOS Options); and
3. 266,790,135 Warrants (30 September 2019: 269,078,877 Warrants)

Save as disclosed, the Company has no outstanding convertibles as at 30 September 2020 and 30 September 2019.

There were no changes to the Company's share capital and total number of issued ordinary shares during the current financial period and as well as the corresponding period of the immediate preceding financial year.

1.(d)(iii) The total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

	<u>As at 30 September 2020</u>	<u>As at 30 September 2019</u>
Total number of issued Shares (excluding treasury shares)	3,522,617,103	3,520,328,361

1.(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

The Company owned 4,201,400 treasury shares as at 30 September 2020. There was no movement on the treasury shares held by the Company during the financial period reported on.

2. Whether the figures have been audited, or reviewed in accordance with which standard (eg. The Singapore Standard on Auditing 910 (Engagements to Review Financial Statements), or an equivalent standard.

The figures have not been audited or reviewed by the auditors.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter).

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

Save as disclosed in Paragraph 5 below, the Group and the Company have applied the same accounting policies and methods of computation in the preparing the financial statements for the current financial year as with those used in preparing the audited financial statements as at 30 September 2019.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

SFRS(I) 16 replaces the existing FRS 17: Leases. It reforms lessee accounting by introducing a single lessee accounting model. Lessees are required to recognise all leases on their statements of financial position to reflect their rights to use leased assets (a "right-of-use" asset) and the associated obligations for lease payments (a lease liability), with limited exemptions for short term leases (less than 12 months) and leases of low value items. In addition, the nature of expenses related to those leases will change as SFRS(I) 16 replaces the straight-line operating lease expense with depreciation charge of right-of-use asset and interest expense on lease liability. The accounting for lessors will not change significantly.

The Group adopted the new standard on the required effective date using the modified retrospective approach. The standard is effective for annual periods beginning on or after 1 January 2019. The standard will affect primarily the accounting for the Group's operating leases. As at 1 October 2019, the Group has recognised right-of use assets of S\$0.7 million and lease liabilities of S\$0.6 million.

The standard substantially carries forward the current existing lessor accounting requirements. Accordingly, the Group continues to classify its leases as operating leases using existing operating lease accounting model. The Group does not expect any significant impact on the financial statements as a lessor. However, some additional disclosures will be required in the financial statements upon adoption of the standard.

Except for the above, there are no other new SFRS(I) with significant changes to the accounting policies of the Group and the Company nor any the amounts reported for the current and prior periods.

6. Earnings per ordinary shares of the group for the current period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

	Group	
	FY2020 S\$'000	FY2019 S\$'000
Loss attributable to equity holders	(9,215)	(3,865)

	FY2020		FY2019	
	Number of shares	Singapore cents	Number of shares	Singapore cents
Earnings per share				
Basic	3,521,779,148	(0.26)	3,520,328,361	(0.11)
Diluted	3,521,779,148	(0.26)	3,520,328,361	(0.11)

* Basic earnings per share is calculated by dividing profit or loss attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial period.

** Diluted earnings per share is calculated by dividing profit or loss attributable to equity holders of the Company by the weighted average number of Shares outstanding during the financial period plus the weighted average number of Shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued share capital excluding treasury shares of the issuer at the end of the (a) current period reported on and (b) immediately preceding financial year.

	Group		Company	
	As at 30 September 2020 S\$'000	As at 30 September 2019 S\$'000	As at 30 September 2020 S\$'000	As at 30 September 2019 S\$'000
Net asset value	99,681	108,847	141,302	141,734
Net asset value per ordinary share based on issued share capital (Singapore cents)	2.8 cents	3.1 cents	4.0 cents	4.0 cents

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the Group's business. The review must discuss any significant factors that affected the turnover, costs and earning of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors. It must also discuss any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period report on.

Overview

The Group is a regional integrated marine logistic company, which principally engages in shipping and shipyard businesses.

The shipping business of the Group relates to the chartering of Offshore Supply Vessels ("OSVs"), which comprise mainly Anchor Handling Tug Supply ("AHTS") vessels for deployment in the regional waters 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 business of the Group relates to ship building as well as the provision of ship maintenance, repair, outfitting and conversion services, which are being carried out through its shipyard located in Batam, Indonesia. Occupying a total land area of approximately 34 hectares with a seafront of approximately 650 meters, the modern shipyard also houses three dry docks, which boosted the Group's technical capabilities and service offerings to undertake projects involving mid-sized and sophisticated vessels.

(a) Review of financial performance of the Group

Our Group's revenues for FY2020 (vis-à-vis FY2019) and H2FY2020 (vis-a-vis H2FY2019) were as follow:

	H2FY2020		H2FY2019		Change		FY2020		FY2019		Change	
	S\$ m	%	S\$ m	%	S\$ m	%	S\$ m	%	S\$ m	%	S\$ m	%
Ship Chartering Operations	3.7	30	10.4	58	(6.7)	(64)	13.6	44	16.6	55	(3)	(18)
Ship Building & Repair Operations	8.5	70	7.4	42	1.1	15	17.2	56	13.6	45	3.6	26
	12.2	100	17.8	100	(5.6)	(31)	30.8	100	30.2	100	0.6	2

The Group recorded a revenue of S\$12.2 million in H2FY2020, a decrease of 31% from that of S\$17.8 million registered in H2FY2019, The Group, however, recorded a revenue of S\$30.8 million in FY2020, an increase of 2% from that of S\$30.2 million registered in FY2019.

The revenue derived from the Ship Chartering Operations of the Group decreased by 64% to S\$3.7 million in H2FY2020 from S\$10.4 million in H2FY2019 and by 18% to S\$13.6 million in FY2020 from S\$16.6 million in FY2019. The temporary suspension of local construction and infrastructure projects during the Circuit Breaker period in Singapore has caused a significant drop in the utilisation rates of the Group's fleet of tugboats and barges. In addition, the utilisation rate of the Group's fleet of offshore vessels has also declined during the second half of the year as a result of a slowdown in the global economy due to the COVID-19 pandemic which caused a decrease in demand for oil.

The Ship Building & Repair Operations of the Group recorded an increase in revenue of 15% to S\$8.5 million in H2FY2020 from S\$7.4 million in H2FY2019. On a full year basis, the revenue from the Ship Building & Repair Operations increased by 26% to S\$17.2 million in FY2020 from S\$13.6 million in FY2019. The increase in revenue was mainly due to an increase in ship repair jobs during the year partially attributed to the completion of the drydock extension project in early FY2020.

The Group recorded a decrease of 66% in gross profit to S\$1.0 million in H2FY2020 from S\$3.0 million in H2FY2019, and a decrease of 22% to S\$4.4 million in FY2020 from S\$5.7 million in FY2019 due mainly to a decrease in contribution from ship chartering operations particularly from the Group's fleet of tugboats and barges. Gross profit margin of the Group decreased to 8% in H2FY2020 from 17% in H2FY2019 and to 14% in FY2020 from 19% in FY2019 mainly as a result of the poorer performance from the ship chartering operations which was partially offset by an increase in margins of ship repair jobs undertaken by the Group.

The Group's other operating income decreased to \$1.0 million in H2FY2020 from S\$8.0 million in H2FY2019. On a full year basis, the Group's other operating income decreased to S\$1.5 million in FY2020 from S\$7.5 million in FY2019. The decrease in both H2FY2020 and FY2020 was mainly attributed to the gain of disposal in relation to the sale of vessels of S\$4.5 million and foreign exchange gains recognised in H2FY2019 and FY2019. Interest income pertains mainly to interest derived from a vessel loan given to one of the Group's joint venture entity and interest from fixed deposits placed with the banks.

The Group's administrative expenses decreased slightly to S\$3.1 million in H2FY2020 from S\$3.3 million in H2FY2019 but maintained steadily at S\$6.3 million in FY2020 and FY2019.

The Group's other operating expenses increased to S\$5.3 million in H2FY2020 from S\$2.9 million in H2FY2019 due primarily to an increase in inventory written down of S\$0.4 million and foreign exchange loss of S\$2.0 million. In addition, depreciation under other operating expenses increased by of S\$0.8 million due to lower vessel utilisation rate achieved in H2FY2020 and accordingly, a larger portion of the Group's total depreciation expense has been recognised under other operating expenses. On a full year basis, the Group's other operating expenses increased to S\$6.0 million in FY2020 from S\$5.1 million in FY2019, attributed primarily to inventory written down of S\$0.4 million and foreign exchange loss of S\$0.3 million recognised in FY2020.

The share of losses from jointly controlled companies decreased to S\$1.8 million in H2FY2020 from S\$3.6 million in H2FY2019 and decreased to S\$2.8 million in FY2020 from S\$5.4 million in FY2019. The share of losses from jointly-controlled companies in FY2020 was mainly attributable to the share of losses in the Group's joint venture PT Pelayaran Nasional Bina Buana Raya Tbk ("PT BBR") of S\$2.8 million. The share of losses in H2FY2019 and FY2019 were mainly attributable to PT BBR and MPMT 1 Tankers Pte Ltd ("MPMT") where the share of losses from MPMT was primarily due to the loss on disposal of vessels.

As a result of the above, we registered a net loss attributed to owners of the Company of S\$8.5 million in H2FY2020 compared to a net profit attributed to owners of the Company of S\$1.0 million in H2FY2019 and a net loss attributed to owners of the Company of S\$9.2 million in FY2020 compared to net loss attributed to owners of the Company of S\$3.9 million in FY2019.

Excluding foreign exchange gains and losses, the Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA) of the Group reversed to negative S\$2.6 million in FY2020 from positive S\$2.4 million in FY2019, and to negative S\$3.7 million in H2FY2020 from positive S\$2.3 million in H2FY2019.

(b) Review of financial position of the Group as at 30 September 2020 compared to that as at 30 September 2019

The non-current assets of the Group decreased by S\$5.5 million or 6% to S\$87.9 million as at 30 September 2020 from 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 repayment of amount due from MPMT Pte Ltd, a joint venture entity. The decrease in non-current assets was partially offset by the purchase of vessel and the initial recognition of the right-of-use assets amounting to S\$0.7 million as a result of the implementation of SFRS(I) 16: Accounting for Leases.

Inventories decreased to S\$0.9 million as at 30 September 2020 from S\$1.3 million as at 30 September 2019 due mainly to a write down of inventory. The inventory written down mainly relates to the impairment of work-in-progress and raw materials of spare parts and equipment previously purchased for ship building and ship repair projects that were either completed or cancelled as these inventories are deemed to be obsolete or slow moving.

Trade receivables decreased to S\$7.9 million at 30 September 2020 from S\$12.4 million at 30 September 2019 due mainly to the decrease in overall group revenue and an improvement the collection of outstanding receivables in H2FY2020. During the year, the Group has made a provision of S\$58,000 on impairment of trade receivables in view that the amount is unlikely to be unrecoverable. As

disclosed in the Group's financial statements that was published in the FY2019 Annual Report, the Group uses an allowance matrix to measure its expected credit loss for trade receivables and based on this allowance matrix, the Group has assessed that the provision for impairment of trade receivables is adequate at this juncture.

The other receivables, deposits and prepayment decreased by S\$0.4 million to S\$1.3 million as at 30 September 2020 from S\$1.7 million as at 30 September 2019, attributed mainly to decrease in deposits for equipment and tendering of ship chartering contracts.

The decrease in amount due from joint ventures by S\$0.3 million to S\$1.6 million as at 30 September 2020 from S\$1.9 million as at 30 September 2019 was mainly due to loan repayment.

In line with decreased ship chartering activities, current trade payables of the Group decreased by S\$3.2 million to S\$3.4 million as at 30 September 2020 from S\$6.6 million as at 30 September 2019. The increase in business activities towards the end of FY2020 has partially negated the decrease in current trade payables.

Other payables and accruals increased by S\$0.2 million to S\$4.4 million as at 30 September 2020 from S\$4.2 million as at 30 September 2019, due mainly to additional accrued cost as result of increase in ship repair activities during the year.

The increase in contract liabilities to S\$1.0 million as at 30 September 2020 from S\$71,000 as at 30 September 2019, was attributed to the advance received for new ship building projects.

The increase in lease liability amounting to an aggregate of S\$0.5 million was due to the initial recognition of finance lease obligations as a result of the implementation of SFRS(I) 16: Accounting for Leases.

A deferred income¹ in aggregate of S\$3.3 million was recognised as at 30 September 2020 from the disposal of a vessel to a joint venture company in FY2019.

The Group reported a net cash used in operating activities of S\$4.1 million for FY2020, principally as a result of a decrease in trade and other receivables brought about by the improvement in the collection of trade receivables and better cash flow management by the Group, especially during H2FY2020. The cash and cash equivalent of the Group stood steadily at S\$13.6 million as at 30 September 2020 and 30 September 2019.

Following from the above:

- (i) the working capital of the Group decreased to S\$15.2 million as at 30 September 2020 from S\$18.8 million as at 30 September 2019;
- (ii) the net gearing of the Group (defined as the ratio of the aggregate of interest bearing loans net of cash and cash equivalents to total equity) remained at nil as at 30 September 2020 and 30 September 2019; and
- (iii) the net asset value per share of the Group decreased to 2.8 cents as at 30 September 2020 from 3.1 cents as at 30 September 2019.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

Not applicable.

10. A commentary at the date of the announcement of the competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

The COVID-19 pandemic has severely disrupted global economic activities, and led to both demand-side and supply-side shocks to worldwide economy. The economic fallout is expected to persist in the near to mid-term and it is expected to weigh down on the business and operations of the Group in the next 12 months. Ship chartering and shipyard activities are expected to be negatively impacted by the slowdown in oil demand and oil and gas activities.

¹ A deferred income in aggregate of S\$3.4m (current liability of S\$0.2m and non-current liability of S\$3.2m) was initially recognised in FY2019 from eliminating 49% of the gain on vessel sold to a joint venture company. Under normal circumstances, the elimination of such gains would have been made against the cost of investment in this joint venture company. However, as the cost of investment was only a nominal amount of US\$1,000, the elimination of the gain resulted in a liability being recognised on the balance sheet of the Group instead. This liability will gradually be reduced to zero as the said vessel depreciates or when the said vessel is disposed.

For the Group's ship chartering operations, we will continue to step up its marketing efforts to improve its performance and explore additional revenue sources by going beyond South East Asia although the success of such efforts depends heavily on the progress in containing the virus pandemic. In addition, we expect the utilisation of the Group's tugboats and barges to improve as construction activities in Singapore have progressively resumed operations. For the Group's shipyard operations, we will continue to focus on securing orders from local ship owners to mitigate the decline in volume from international clients.

The Group has put in place precautionary measures to ensure that the workplace remain safe for its employees and business contingency plans have been rolled out to reduce impact of disruption to operations. These measure and plans are continually updated to adhere to advisories and recommendations of the various governments.

The management has also taken steps to review various options to realign its business and operations to preserve value for the stakeholders of the Company. Action plans have been put in place and will be continually reviewed so as to improve operational efficiency and reduce operating costs.

The Company will continue to monitor the COVID-19 situation and release further announcements should there be any material developments in its business and operations.

Some of the statements in this release constitute "forward-looking statements" that do not directly or exclusively relate to historical facts. These forward-looking statements reflect our current intentions, plans, expectations, assumptions and beliefs about future events and are subject to risks, uncertainties and other factors, many of which are outside our control. Important factors that could cause actual results to differ materially from the expectations expressed or implied in the forward-looking statements include known and unknown risks and factors such as general economic and business conditions, including the uncertainties of the pace of recovery of the United States of America economy, continued concerns of the scale of the possible adverse fallouts and their implications on the global scene triggered by the current Euro zone debt crisis, inflationary pressures and currency appreciation which will affect the continued strong growth in Asia, especially East Asia; timing or delay in signing, commencement, implementation and performance of programs, or the delivery of products or services under them; relationships with customers; competition; and ability to attract personnel. Because actual results could differ materially from our intentions, plans, expectations, assumptions and beliefs about the future and any negative impacts arising from these issues will affect the performance of the Group's businesses, undue reliance must not be placed on these statements.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

Nil.

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

Nil.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

12. If no dividend has been declared / recommended, a statement to that effect

No dividend has been declared/recommendeded for FY2020 in view of the loss making position of the Group.

13. Interested Person Transactions

The Company has not obtained any general IPT mandate from its shareholders and did not have any interested person transactions during the financial period under review (excluding transactions less than S\$100,000).

14. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year.

Business segments

	Ship chartering services S\$'000	Shipbuilding and repair S\$'000	Total operations S\$'000
2020			
External revenue	13,636	17,213	30,849
Reportable segment results from operating activities	(3,229)	(1,087)	(4,316)
Share of losses in joint ventures	(2,816)	-	(2,816)
Finance income	1	6	7
Finance costs	-	(28)	(28)
Unallocated administrative expenses, net			(1,852)
Loss before income tax			(9,005)
Income tax expenses			(210)
Loss for the year			(9,215)
Reportable segment assets	61,516	29,664	91,180
Investments in joint ventures	12,328	-	12,328
Unallocated assets			9,813
Total assets			113,321
Reportable segment liabilities	1,655	8,354	10,009
Unallocated liabilities			3,631
Total liabilities			13,640
Capital expenditure	6,607	359	6,966
<u>Other material non-cash items:</u>			
Depreciation of property, plant and equipment	4,594	2,417	7,011
Depreciation of right-of-use assets	-	308	308
Loss allowance on trade receivables	-	58	58
Inventory written down	-	447	447
Gain on disposal of property, plant and equipment, net	-	(32)	(32)

Business segments

	Ship chartering services S\$'000	Shipbuilding and repair S\$'000	Total operations S\$'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 on investment 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 expenses			(203)
Loss for the year			(3,865)
Reportable segment assets	74,485	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
<u>Other material non-cash items:</u>			
Depreciation of property, plant and equipment	5,044	2,388	7,432
Reversal of impairment loss on investment in joint ventures, net	(63)	-	(63)
Gain on disposal of property, plant and equipment, net	(4,536)	-	(4,536)
Gain on remeasurement of a previously held joint venture	(182)	-	(182)

Geographical Information

Singapore and Indonesia (and to a lesser extent other countries in Asia) are the major markets for the Group's ship chartering activities. The Group undertakes its ship building and repair activities in Indonesia.

For the purpose of segmental reporting by geographical regions, please note the following:

- (i) revenues derived from the external customers of the Group by region refer to the country of origin of the customers and not the destination for which the Group delivered its chartering services or built vessels; and
- (ii) non-current assets (other than the financial instruments and deferred tax assets) of the Group were spread across the countries in which the Group had its assets deployed.

Geographical information 30 September 2020	Revenue		Non-current assets	
	S\$'000	%	S\$'000	%
Singapore	12,208	40	70,336	80
Indonesia	10,018	32	17,583	20
Malaysia	3,269	11	-	-
China	2,061	7	-	-
India	1,794	6	-	-
Myanmar	757	2	-	-
Taiwan	299	1	-	-
Others	443	1	-	-
Total	30,849	100	87,919	100

Geographical information 30 September 2019	Revenue		Non-current assets	
	S\$'000	%	S\$'000	%
Singapore	13,420	44	73,930	79
Indonesia	7,825	26	19,467	21
Australia	40	-	-	-
Malaysia	5,382	18	-	-
Myanmar	1,497	5	-	-
Taiwan	1,223	4	-	-
Others	794	3	-	-
Total	30,181	100	93,397	100

15. In the review of performance, the factors leading to any material changes in contributions to turnover and earning by the business of geographical segments.

Overall, revenue has increased slightly to S\$30.8 million in FY2020 from S\$30.2 million in FY2019 with improvements mainly from Indonesia where the Group operates its shipyard and the generation of new revenue streams by the Ship Chartering division derived from countries such as China and India. The increase in revenue from these geographical locations was however offset by the decrease in revenue in countries such as Singapore, Malaysia and Myanmar as the revenue derived from these countries were predominately contributed by the Group's fleet of offshore vessels, and tugboats and barges.

16. Breakdown of sales.

The Group	2020 S\$'000	2019 S\$'000
Revenue reported for the first half of the financial year	18,562	12,420
Loss after tax before deducting MI reported for the first half of the financial year	(708)	(4,822)
Revenue reported for the second half of the financial year	12,287	17,761
Loss after tax before deducting MI reported for second half of the financial year	(8,507)	957

17. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year.

	Latest Full Year (S\$'000)	Previous Full Year (S\$'000)
Ordinary – interim & final	-	-

18. Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(13) in the format below. If there are no such persons, the issuer must make an appropriate negative statement.

Name	Age	Family relationship with any director and/or substantial shareholder	Current position and duties, and the year the position was first held	Details of changes of duties and position held, if any, during the financial year
Mr Irryanto	64	Brother-in-law to our substantial shareholder, Mr Lee Wan Tang; uncle to our CEO and Executive Director, Mr Sean Lee Yun Feng, and Executive Director and CFO, Ms Liely Lee.	Director (Shipyard Administration). He is responsible for the administrative function of PT Marco Polo Shipyard, a wholly-owned subsidiary of the Company.	None
Mr Simon Karuntu	69	Brother-in-law to our substantial shareholder, Mr Lee Wan Tang; uncle to our CEO and Executive Director, Mr Sean Lee Yun Feng, and Executive Director and CFO, Ms Liely Lee.	Director (Shipyard Operations). He is in charge of overall operations and general administration of PT Marco Polo Shipyard, including handling government, statutory and other regulatory authorities and legal matters, a position he held since 2008.	None

19. Use of Proceeds from equity injection

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 capitalised terms stated herein shall have the same meaning as those ascribed in the Circular.

- 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;
- 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;
- 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;
- 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 2019; and
- (f) an equity injection of S\$60 million in January 2019 from 9 investors (the "Equity Injection"), which forms an integral part of the Debt Restructuring Exercise.

The use of proceeds (as at 30 September 2020) from the Equity Injection is summarized as follows:

	S\$'000	S\$'000
Proceeds raised from Equity Injection		60,000
<u>Less:</u>		
Settlement to MPML Scheme Creditors	(33,027)	
Settlement to Noteholders and Trustee	(7,469)	
Settlement to MPSY Scheme Creditors	(1,800)	
Settlement to PKPU Secured Creditors	(4,760)	
Settlement to PKPU Trade Creditors	(6,789)	
General working capital	(6,155)	
Total used proceeds as at 30 September 2020		(60,000)
Remaining proceeds		-

The breakdown with specific details on the use of proceeds for general working capital is as follows:

	S\$'000
Payment to trade creditors	1,851
Professional fees	1,990
Operation overheads	2,314
	<u>6,155</u>

As at 30 September 2020, the Company has fully utilised the proceeds of S\$60 million in relation to the Equity Injection.

20. Negative Assurance on the Financial Statements

To the best of our knowledge, nothing has come to the attention of the Board of Directors of the Company, which may render the unaudited financial statements of the Group and of the Company for H2FY2020 and FY2020 to be false or misleading in any material aspect.

21. Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720(1)

The Company has procured the said undertakings from all its Directors and Executive Officers.

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS

Sean Lee Yun Feng
Chief Executive Officer

Liely Lee
Chief Financial Officer

27 November 2020