MARCO POLO MARINE LTD
Incorporated in the Republic of Singapore
(Company Registration Number: 200610073Z)

RESPONSES TO QUERIES FROM THE SECURITIES INVESTORS ASSOCIATION (SINGAPORE) IN RESPECT OF THE COMPANY'S ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2024

The Board of Directors (the "**Board**") of Marco Polo Marine Ltd (the "**Company**", and together with its subsidiaries (collectively, the "**Group**") refers to the queries raised by the Securities Investors Association ("**SIAS**") in respect of the Company's annual report for the financial year ended 30 September 2024 ("**Annual Report 2024**"). The Company wishes to provide its responses to the queries from SIAS below:

SIAS Query

Q1. Would the board and management provide shareholders greater clarity on the following operational and financial matters? Specifically:

1 (i) Offshore Support Vessel (OSV): It was noted that the OSV market remained robust for ship chartering, supported by high demand from offshore wind farms and the oil and gas industries. The group reported a 9% increase in ship chartering revenue to $71.9 million. Can management clarify whether this growth was primarily driven by higher utilisation rates, increased charter rates, or both? What are the key strategic initiatives or market factors that will drive growth in this segment? Given that the vessels are approximately 10 years old, are there plans to modernise or expand the fleet to sustain competitiveness and meet future demand?

Company's Response:

The growth in ship chartering revenue was primarily driven by higher charter rates.

Marco Polo Marine's primary strategy is to expand our exposure to the offshore wind energy sector in Asia, where we anticipate a significant increase in projects over the long term that will require our vessels. Governments in Asia, including China, Taiwan, Korea, Japan, Vietnam, and the Philippines, have set ambitious, multi-year policy targets to meet their offshore wind energy demands. The sector's potential for growth is substantial, as many of these projects are still in the early stages or have yet to begin. By being an early participant in this emerging sector, the group can establish a strong presence here.

Vessels approximately 10 years old are not considered old in the global fleet of OSVs. New-build OSVs are relatively few in this region due to the stringent credit conditions imposed by financial institutions after the previous cycle, which witnessed an excessive construction of OSVs. However, our newly built CSOV was designed with a future-proof approach. Equipped with the latest walk-to-work motion compensated gangway for safe personnel transfer from the vessel to the turbines, it also has a 3D motion-compensated crane to facilitate cargo transfer. The CSOV will also be equipped with state-of-the-art green technology, such as hybrid battery-based energy storage systems, that will reduce carbon emissions by up to 15%-20%. The vessel will be designed as future-ready, catering for use of methanol fuel to enable low carbon emissions.

<u>SIAS Query</u>

1 (ii) Shipyard: How does the group compete against Chinese shipyards given that the reopening of China yards has led to lower demand for ship repair services? What was the utilisation rate of the shipyard? Can management reconcile the capacity expansion (Dry Dock 4) against the backdrop of lower demand?

<u>Company's Response:</u>

It is true that demand for ship repair services initially declined with the reopening of the Chinese shipyards. However, demand for our ship repair services has since returned to normal. In FY2024, the average utilisation of our docks for ship repair was 91% compared to 84% in FY2023. Considering the high utilisation rate of our yards for ship repair services, we believe the decision to build Dry Dock 4 is justified.

<u>SIAS Query</u>

1(iii) Wages: Can management provide insights into the reasons for the significant increase in wages, salaries and bonuses from $8.23 million in FY2023 to $10.96 million in FY2024, particularly given the 3% decline in total revenue and substantial drop in ship repair revenue?

<u>Company's Response:</u>

The increase in wages, salaries and bonuses was in line with the expansion plans that the Group has undertaken in recent years. In addition, a large part of the bonuses paid out in FY2024 was based on the performance of the Group in FY2023, where the Group experienced a 48% increase in revenue and 83% increase in adjusted profit after tax as compared to FY2022.

The Company wishes to further highlight that despite a decline in revenue in FY2024, gross profit and adjusted net profit after tax have increased by 6% and 4% respectively as compared to FY2023. The decline in revenue, which was mainly due to lower revenue from the shipyard, was not entirely demand-driven as one of the three docks was allocated exclusively to the CSOV construction from May to August 2024, effectively reducing the Group's capacity for revenue-generating ship repair projects. Also, since the CSOV is an internal project undertaken by the Group, no ship building revenue was recognised for the construction of the vessel which would have otherwise been captured as revenue if the project was awarded by an external party.

SIAS Query

Q2. The group is building an 83-metre-long Commissioning Service Operations Vessel (CSOV), the first of its kind to be designed in Asia. The vessel will be equipped with a 3Dmotion compensated walk-to-work gangway and a heave compensated crane. Capable of accommodating up to 110 personnel, the CSOV is now expected to commence operations in the East China Sea in the first half of 2025.

2 (i) Can management confirm if the completion timeline has shifted from Q1 2024 to October 2024 and now to the first half of 2025? What specific operational challenges or technical complexities have arisen in the design and construction phases of the CSOV?

Company's Response:

The CSOV is now in the final stages of completion and is slated to be ready by end-February. The primary operational and technical challenge that led to the delay was the shortage of skilled and experienced labour experienced by the shipyard in early 2024, which has now been largely resolved. In addition, there were passenger class requirements to adhere to for the CSOV to be reflagged to Taiwan, and these requirements are typically uncommon for offshore vessels.

SIAS Query

2 (ii) Has the CSOV remained within the initial budget of US$60 million? In Note 11 Property, plant and equipment, "Capital projects in progress" has amounted to S$71.4 million.

Company's Response:

Yes, the CSOV has remained within the initial budget of US$60 million.

SIAS Query

2 (iii) What are the key terms of the 3-year charter agreement with Vestas and how was the minimum utilisation commitment per annum determined? How has the CSOV market evolved since December 2022 when the agreement was signed?

Company's Response:

Due to sensitivity of information, the Company does not wish to disclose the specific details of the agreement as it includes certain confidential information of the client as well. However, we note that charter rates for the CSOV have been increasing since December 2022 with utilisation rates remaining consistently high throughout this period.

SIAS Query

Q3. The attendance of directors at board and board committee meetings is shown on page 16 of the annual report and reproduced below:

	BOARD MEETING	AUDIT COMMITTEE	NOMINATING COMMITTEE	REMUNERATION COMMITTEE
No. of meetings held	**4**	**4**	**1**	**1**
		No. of meetings attended		
Tan Hai Peng Micheal	4	4	–	1
Sean Lee Yun Feng	4	–	1	–
Lie Ly	4	–	–	–
Lee Kiam Hwee Kelvin	4	4	1	1
Jeffrey Hing Yih Peir	3	–	–	–
Teo Junxiang Darren	4	–	–	1
Leong Kah Wah	3	3	1	–
Koh Chun Yuan	1	0	0	0

3 (i) What were the extenuating circumstances that resulted in Mr Jeffrey Hing Yih Peir and Mr Leong Kah Wah to be absent from certain board and/or board committee meetings during the financial year?

Company's Response:

Both Mr Jeffrey Hing and Mr Leong Kah Wah were absent on those occasions due to urgent work-related matters that they had to attend to. Nonetheless, the management had updated both directors on key matters prior to the actual board meeting to seek feedback and comments so that their inputs can be discussed with the rest of the directors during the meeting. Meeting minutes were also circulated post-board meeting to seek further comments from both directors.

SIAS Query

3 (ii) Mr Koh Chun Yuan was appointed on 21 June 2024. Can the company clarify how many board and board committee meetings have been held since his appointment and what has been his attendance at these meetings?

Company's Response:

There have been 2 board meetings since Mr Koh Chun Yuan's appointment on 21 June 2024, and Mr Koh has attended both meetings.

SIAS Query

3 (iii) How can the company secretary and the company work together with the board to improve the attendance of directors at board meetings?

Company's Response:

Prior to the unforeseen circumstances mentioned above in Q3(i), the Company has always observed full attendance of directors at board meetings in the recent years. Nonetheless, the Company will work with the company secretary to offer alternative methods of participation, including attending the board meetings virtually or through tele-conversation.

SIAS Query

Separately, the company announced that the audited financial statements contain certain material reclassification differences as compared to the unaudited financial statements. The differences were as large as $6.5 million. Explanatory note (C) relates to the "reclassification adjustments were made as the (sic) as the non-controlling interest balance require an adjustment to correct an arithmetic discrepancy".

Explanatory note to above statement

(A) Reclassification adjustments were due to overstatement of tax provision and a similar overstatement of prepayment of taxes.

(B) Reclassification adjustments on non-current portion of borrowings were made from non-current liabilities to current liabilities.

(C) Reclassification adjustments were made as the as the non-controlling interest balance require an adjustment to correct an arithmetic discrepancy.

(D) Reclassification adjustments of interest received from financing activities to investing activities.

(Source: company announcement dated 2 January 2025 ; emphasis added)

3 (iv) For the benefit of shareholders, can the company explain what it means by an "arithmetic discrepancy"? What specific steps have been taken to strengthen the finance department? The company had also announced discrepancies between unaudited and audited accounts in January 2023.

Company's Response:

There was an overstatement of the Group's non-controlling interest balance against the Group's foreign currency translation reserves in the Company's results announcement dated 28 November 2024. Accordingly, a reclassification adjustment was required to correct the non-controlling interest balance.

To mitigate discrepancies in future financial statements, the Company will consider strengthening its internal controls, providing regular training for finance staff, automating certain processes to reduce human error, and conducting regular checks to identify and address areas for improvement. The Company will also work with its Auditors to strengthen the independent review of its results announcement before release.

BY ORDER OF THE BOARD
Sean Lee Yun Feng
Chief Executive Officer
17 January 2025