



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

RESPONSE TO QUERIES FROM THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED

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 Singapore Exchange Securities Trading Limited (“**SGX-ST**”) on 4 December 2019 concerning the unaudited results announcement of the Company for the financial year ended 30 September 2019 (“**FY2019**”) made on 29 November 2019 (the “**SGX Queries**”, and each a “**SGX Query**”) and appends below its corresponding replies to the SGX Queries:

SGX Query (a):

With reference to the unaudited financial statements for the year ended 30 September 2019, please disclose the ageing of the Group’s trade receivables of S\$12,391,000. Please provide the Board’s assessment on the recoverability of the Group’s trade receivables and the basis for such an assessment.

Company’s Response:

The aging analysis of the Group’s trade receivable as at 30 September 2019 is as follows:

	As at 30 September 2019 S\$’000
Not past due	3,392
Past due 0 to 3 months	4,869
Past due over 3 months	4,130
	<u>12,391</u>

In assessing the recoverability of the Group’s trade receivables, the Group takes into consideration the past default experience, analysis of the customers’ current financial position and the prospects of the industry. The Group impairs its trade receivables when there is information indicating that the debtors are experiencing severe financial difficulty, there is a high probability that the debtors will enter into bankruptcy, or when the Group expects default or significant delay in payments from the debtors.

The Board has assessed the recoverability of the Group’s trade receivables based on the abovementioned considerations and opines that the provision for impairment is adequate at this juncture.

SGX Query (b):

Please provide a reconciliation of the property, plant and equipment amount of \$87,611,000 as at 30 September 2018 to the property, plant and equipment amount of \$75,364,000 as at 30 September 2019.

Company's Response:

The reconciliation of property, plant and equipment are as follows:

	S\$'000
Net carrying amount, as at 30 September 2018	87,611
Depreciation charge for the financial year	(7,432)
Additions	4,266
Disposals	(9,401)
Currency realignment	320
Net carrying amount, as at 30 September 2019	<u>75,364</u>

SGX Query (c):

It is stated on page 10 of the unaudited financial statements that, "Gross profit margin of the Group, however, decreased to 17% in Q4FY2019 from 24% in Q4FY2018 and to 19% in FY2019 from 20% in FY2018 mainly as a result of the decrease in margins of ship repair jobs and one-off expenses incurred in FY2019 in relation to the reactivation of our offshore vessels." Please provide the amount of one-off expenses incurred for Q4FY2019 and FY2019 as well as the gross profit margin excluding the impact of these one-off expenses.

Company's Response:

The one-off expenses in relation to the reactivation of the offshore vessels aggregated approximately S\$0.2 million for Q4FY2019 and S\$1.0 million for FY2019. The adjusted gross profit margins, excluding the impact of these one-off expenses, would be 19% and 22% for Q4FY2019 and FY2019 respectively.

SGX Query (d):

We note from the balance sheet that the aggregate amount due from a joint venture under current assets and non-current assets as at 30 September 2019 is S\$14.457 million. Please provide:

- (i) The name of the joint venture company
- (ii) The names of the shareholders of the joint venture company and their percentage shareholdings in the joint venture company
- (iii) Whether any of the shareholders of the joint venture company are connected to the directors or controlling shareholders of the Company
- (iv) Terms of the loan to the joint venture company including repayment terms

- (v) Rationale for the sale of vessel to the joint venture company
- (vi) The amount of gain/loss on disposal of the vessel to the joint venture company
- (vii) How the sale price of the vessel was determined

Company's Response:

- i) The Company had previously made announcements on 17 January 2019 and 3 April 2019 on the incorporation of the said joint venture companies, namely Pelayaran New Era (L) Berhad ("**PNE**") and Pelayaran Era Sdn Bhd ("**PESB**") (collectively, the "**Joint Venture Entities**").
- ii) The Joint Venture Entities are each owned by the Company (through Marcopolo Shipping (Hong Kong) Limited, an indirect wholly-owned subsidiary of the Company) and SK Global Ltd (an indirect wholly-owned subsidiary of Nam Cheong Limited ("**Nam Cheong**")) in the respective ratios of 49:51.
- iii) None of the shareholders of the Joint Venture Entities are connected to any of the Directors or controlling shareholders of the Company.
- iv) The Company has granted a vessel loan of approximately S\$12.5 million to PESB to finance part of the latter's purchase of a vessel (the "**Vessel Loan**"). The Vessel Loan, secured against a first legal mortgage and the first priority assignment of insurance policies of the vessel concerned, carries an interest of 3% over the one-month USD LIBOR rate per annum payable on a monthly basis. The Vessel Loan shall be fully repaid by equal monthly instalments within six years from the first principal repayment date which shall commence upon PESB accumulating a cash reserve of at least US\$1.65 million set aside for its dry docking costs and working capital requirements.
- v) As part of the plan of the Group to explore new business opportunities and to expand its market presence within the South East Asia region, the Group aims to tap on Nam Cheong's extensive network within Malaysia through the Joint Venture Entities.
- vi) The gain on disposal of the vessel concerned was approximately S\$3.7 million.
- vii) The sale price of the vessel concerned was determined based on a third party desktop valuation by Sedgwick Singapore Pte Ltd (formerly known as Ship-Val (IMS) Pte Ltd).

SGX Query (e):

It is stated on page 13 of the Company's results announcement:- "No dividend has been declared/recommended for FY2019." Paragraph 12 of Appendix 7.2 of the SGX-ST Listing Manual on Financial Statements and Dividend Announcement states:- "If no dividend has been declared (recommended), a statement to that effect and the reason(s) for the decision." As such, please provide the reason(s) why no dividend has been declared/recommended for the current period reported on.

Company's Response:

No dividend has been declared/recommended for FY2019 in view of the loss making position of the Group.

BY ORDER OF THE BOARD

Sean Lee Yun Feng
Chief Executive Officer
10 December 2019