MARCO POLO MARINE LTD
Registration Number: 200610073Z

66 Kallang Pudding Road
#05-01
Singapore 349324

T• +65 6741 2545
F• +65 6659 4685

www.marcopolomarine.com.sg

MARCO POLO MARINE LTD ANNUAL REPORT 2017

Annual Report

Closure of a Chapter 2017

Contents

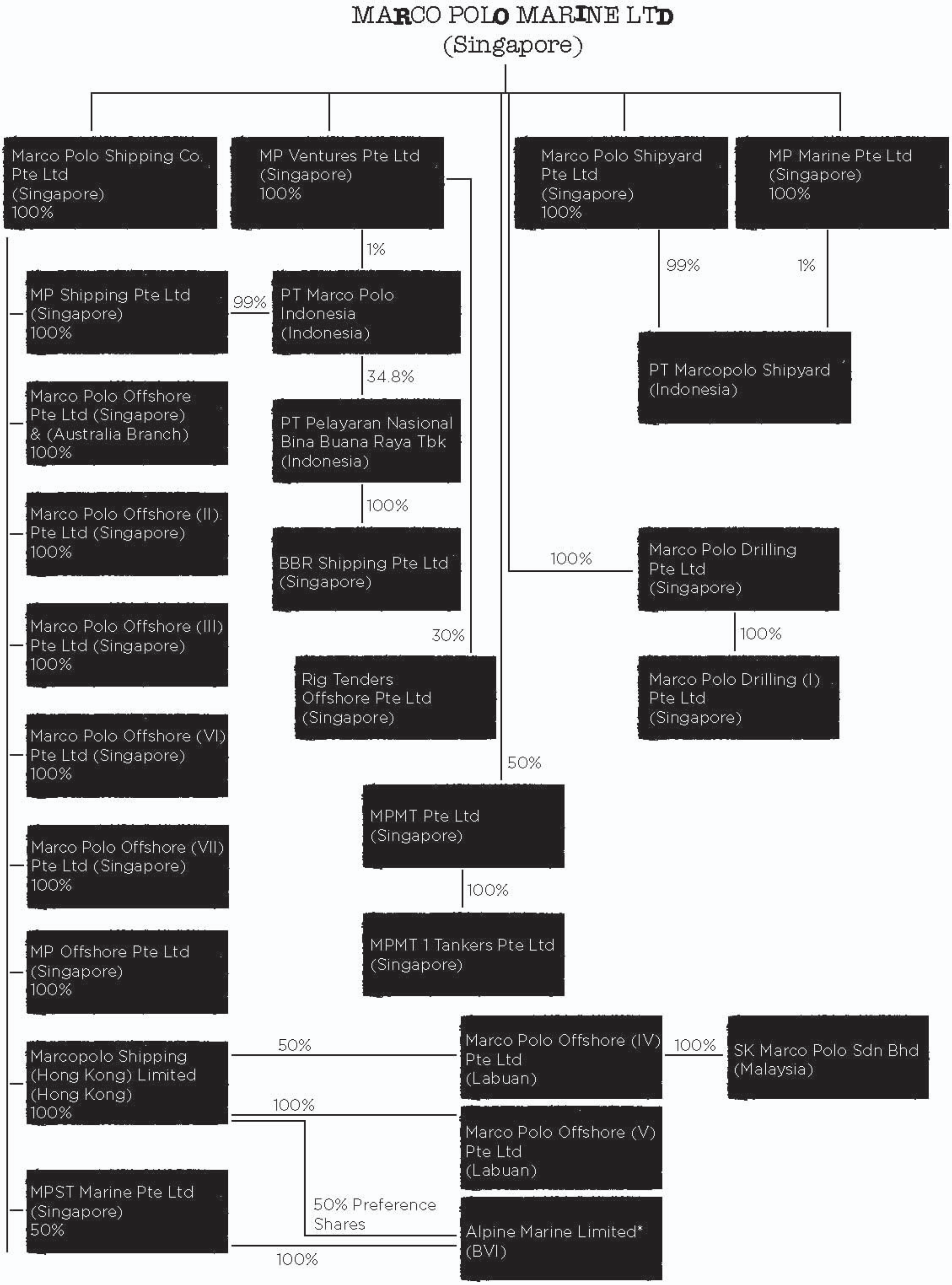
Corporate Profile

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

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

THE SHIPPING DIVISION
(COMPRISING OFFSHORE SUPPORT AND MARINE LOGISTIC SERVICES)
The shipping business of the Group relates to the chartering of Offshore Supply Vessels ("OSVs"), which comprise mainly Anchor Handling Tug Supply Vessels ("AHTS") for deployment in the regional waters, including the Gulf of Thailand, Malaysia, Indonesia and Australia, as well as the chartering of tugboats and barges to customers, especially those which engaged in the mining, commodities, construction, infrastructure and land reclamation industries.

THE SHIPYARD DIVISION
The shipyard business of the Group relates to ship building as well as the provision of ship maintenance, repair, outfitting and conversion services which are being carried out through its shipyard located in Batam, Indonesia. Occupying a total land area of approximately 34 hectares with a seafront of approximately 650 meters, the modern shipyard also houses three dry docks which boosted the Group's technical capabilities and service offerings to undertake projects involving mid-sized and sophisticated vessels.



Completed its voluntary liquidation on 16 January 2018

Corporate Information

BOARD OF DIRECTORS

Lee Wan Tang
(Executive Chairman)

Sean Lee Yun Feng
(Chief Executive Officer)

Liely Lee
(Executive Director)

Lai Qin Zhi
(Non-executive Director)

Lim Han Boon
(Lead Independent Director)

Peter Sim Swee Yam
(Independent Director)

Kelvin Lee Kiam Hwee
(Independent Director)

AUDIT COMMITTEE

Lim Han Boon (Chairman)

Peter Sim Swee Yam
Lai Qin Zhi
Kelvin Lee Kiam Hwee

NOMINATING COMMITTEE

Peter Sim Swee Yam (Chairman)

Lim Han Boon
Lai Qin Zhi
Kelvin Lee Kiam Hwee

REMUNERATION COMMITTEE

Lim Han Boon (Chairman)

Peter Sim Swee Yam
Lai Qin Zhi
Kelvin Lee Kiam Hwee

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

Partner-in-charge:
Dominique Tan
(Appointed since financial year ended 30 September 2014)

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 2017 ("FY2017") as well as an update of the perfect storm it has weathered during the year. I am pleased to advise that the Group has survived the most challenging year since its founding in 1991 and is now navigating its journey in calmer waters, out of the storms, towards a safe harbour. Though the immediate future will continue to remain challenging, we believe the worst is behind the Group and prospects can only be better.

This would not have been possible without the confidence, support and patience extended by our many stakeholders, including shareholders, noteholders, corporate lenders, suppliers, customers, business associates and the loyalty of our dedicated management and staff. I am also grateful for the counsel and support from my colleagues on the Board.

A REVIEW OF FINANCIAL RESULTS FOR FY2017

The Group faced many challenges in FY2017 that threatened its continuing sustainability. The Company's results for the financial year reflected the aftermath of the prolonged ravaging storms that affected the offshore marine sector.

Group revenue fell 18% from S$46.9 million to S$38.6 million in FY2017, due to reduced shipbuilding and repairs projects as well as lower contributions from its offshore fleet.

At the bottom-line, losses for the financial year totalled S$312.7 million, after accounting for S$236.1 million for impairment of Group assets, S$50.1 million for share of impairment losses recognised by jointly-controlled entities and S$6.9 million provision of accrued expenses in connection with the Group's refinancing and debt restructuring exercise. Without these additional one-off write-down and related expenses, the adjusted total loss incurred by the Group for FY2017 would have been S$19.6 million.

THE YEAR IN REVIEW

Initial Loans Restructuring Exercise

When noteholders of the Group's S$50 million 5.75% Fixed Rate Notes (the "Notes") gave overwhelming support for the Consent Solicitation Exercise at the end of the previous financial year ("FY2016"), which termed out the maturity for another three years, to 2019, in return for improved status and returns, we thought then that the Group has averted a potential cash drain and would be able to survive the sectorial storms in tandem with a widely-anticipated slow recovery.

Unfortunately, notwithstanding the gradual stabilisation of the global oil price, the offshore marine industry continued to remain in sustained depression. This affected all companies in the sector adversely. A number of companies, both local and global MNCs, fell victim to the prolonged siege on the sector and collapsed, unable to sustain its operations.

The Group was not spared; with many vessels idle, not chartered out. Of the vessels chartered out, a good number of our embattled customers were either not paying on time or not paying at all, leading to an accumulation of substantial aged accounts receivables, which, in turn, affected the Group's working capital.

Notwithstanding the successful restructuring of the Notes, the Loans Restructuring exercise became protracted, with the Group being unable to secure a formal standstill agreement from its bank lenders, or secure additional bank facilities that were initially anticipated from the banks. Without the support of the bank lenders, the Group was also unable to obtain financial aid from the Singapore Government, under the unprecedented financial assistance programme instituted by SPRING Singapore, which would have helped to strengthen the Group's cash flow and financial position.

The combination of these factors led to more severe cash flow challenges for the Group.

Extensive Refinancing and Debt Restructuring Exercise Completed
In view of the above, to ensure its business sustainability under the prolonged and severely-distressed market conditions, the Group undertook a refinancing and debt restructuring exercise of all its secured and unsecured debts to strengthen its cash flow and working capital position, of which includes the following:-
(i) a scheme of arrangement between the Company and MPML creditors ("MPML Scheme");
(ii) a scheme of arrangement between Marco Polo Shipyard Pte Ltd ("MPSY") and its creditors ("MPSY Scheme");
(iii) a consent solicitation exercise (the "CSE") with noteholders for the settlement and full discharge of all outstanding debts and liabilities owing under the Notes;
(iv) the "Penundaan Kewajiban Pembayaran Utang" ("PKPU") Indonesian court-supervised debt restructuring; and
(v) the restructuring of the secured debts of PT Pelayaran Nasional Bina Buana Raya Tbk ("PT BBR Group") with certain of its secured creditors via an inter-creditor deed.

Dispute over Termination of US$214.3 million Rig Construction Contract Settled
To move forward on a clean slate, especially in view of the extensive refinancing and debt restructuring exercise, the Group had taken the prudent commercial decision to reach a settlement, on a without admission of fault or liability basis with PPL Shipyard Pte Ltd ("PPL"). To this end, the Company, Marco Polo Drilling (I) Pte Ltd ("MP Drilling") and PPL had entered into a settlement agreement on terms that a Consent Award be entered into in favour of PPL for the whole of its claim and interest, and with the Company and MP Drilling withdrawing their respective claims.

S$60 million Equity Funds from 9 Strategic Investors
While the extensive debt restructuring programme was being undertaken during the year, the Company concurrently approached more than hundreds potential investors and secured S$60 million fresh funding in cash to boost its working capital. The Company has since entered into a number of investment agreements with several investors who had since subscribed for a total of 2,142,857,141 Investment Shares at S$0.028 per Investment Share.

These nine strategic investors include:-
(i) Apricot Capital Pte Ltd, a private investment vehicle of the family of Mr David Teo, a founding member of the Super Group Ltd;
(ii) Azure All-Star Fund Pte Ltd, an absolute return equity fund with a committed asset portfolio of approximately S$100 million. It is the flagship fund of Azure Capital Pte Ltd;
(iii) Chua Chuan Leong Ventures Pte Ltd, the private investment arm of the Chua family which owns the Goldbell Group;
(iv) Mr Lim Chap Huat, co-founder and Executive Chairman of Soilbuild Construction Group Ltd;
(v) Singapore Enterprises Private Limited, a wholly-owned subsidiary of Vibrant Group Limited, the sponsor and manager of Sabana Real Estate Investment Trust;
(vi) Yanlord Capital Pte Ltd, the private investment arm of Mr Zhong Sheng Jian, the founder, Chairman and CEO of Yanlord Land Group Limited;
(vii) Penguin International Limited, a public company listed on the SGX mainboard and an intergrated designer, owner and operator of high speed aluminium vessels;
(viii) Mr Low See Ching, Deputy CEO and substantial shareholder of Oxley Holdings Limited; and
(ix) Ho Lee Group Pte. Ltd., through its subsidiaries, offers construction, property development and investment, and material and machinery supply services.

Looking Ahead
Upon successful of completion of this extensive refinancing and debt restructuring exercise, the Company will be fundamentally stronger, with a clean balance sheet and negligible gearing.

As a result of this exercise, my interest in the Company (both direct and deemed) will be substantially diluted, with controlling interest taken over by Apricot Capital Pte Ltd. It is a move I readily make, in order to keep the Company afloat and to preserve value for our stakeholders.

Having survived one of the most severe perfect storms that raged the offshore marine industry these past few years, I believe the Company is now better anchored for the future. Encouraged by the tremendous support demonstrated by our stakeholders, I am confident that the Company can look to the future with confidence.

LEE WAN TANG
Executive Chairman

Financial and Operational Review by the CEO

DEAR SHAREHOLDERS,

FY2017 was another difficult year, beset with continuing challenges of sectorial issues. With the completion of the Group's refinancing and restructuring exercise, it is envisaged that we can close its most difficult year and move forward to a calmer journey, anchored on stronger fundamentals.

FINANCIAL REVIEW

Revenue

The Group's revenue for FY2017 vis-à-vis FY2016 is tabulated as follow:

	FY2017		FY2016		Change	
	S$'m	**%**	**S$'m**	**%**	**S$'m**	**%**
Ship Chartering	16.5	43	17.1	36	(0.6)	(4)
Ship Building & Repair	22.1	57	29.8	64	(7.7)	(26)
Total	38.6	100	46.9	100	(8.3)	(18)

Group revenue decreased by 18% from S$46.9 million in FY2016 to S$38.6 million in FY017. This was mainly due to reduced ship building projects and lacklustre performance from the Group's offshore fleet as a result of the challenges in the Oil & Gas sector.

Profitability

Overall, lower contributions from both the Group's Ship Building & Repair and Ship Chartering Operations resulted in its Gross Profit being reduced by 87% or S$6.9 million, from S$8.0 million in FY2016 to S$1.1 million in FY2017.

Other operating income of the Group decreased by 84% or S$5.6 million, from S$6.6 million in FY2016 to S$1.0 million in FY2017. It should be highlighted that the other operating income registered by the Group in both FY2016 and FY2017 were largely attributable to reversal of excess impairment on investment in a joint venture.

In line with reduced business activities and as a result of the Group's concerted cost containment efforts, the administrative expenses reduced by 21% from S$7.2 million in FY2016 to S$5.7 million in FY2017.

However, primarily as a consequence of impairment of assets, which were reinstated to their fair market values as determined by an external valuer, the other operating expenses of the Group increased from S$10.0 million in FY2016 to S$242.7 million in FY2017.

The finance costs of the Group increased by S$4.3 million or 74% to S$10.2 million in FY2017, from S$5.9 million in FY2016, due mainly to the write-off of a recoverable amount due from PPL Shipyard Pte Ltd ("PPL"), following a settlement reached with PPL, and an increase in interest rate payable to holders of the restructured Notes.

The share of losses from jointly-controlled companies was S$51.3 million in FY2017, compared to S$9.6 million in FY2016. This was also mainly attributable to the share of impairment loss on their assets.

Excluding the impairment of assets aggregating S$236.1 million, share of impairment losses recognised by jointly-controlled entities of S$50.1 million and provision for expenses accrued till 30 September 2017, in connection with the Debt Refinancing and Restructuring Exercise of S$6.9 million, the adjusted total loss incurred by the Group for FY2017 would have been S$19.6 million (instead of S$312.7 million).

Financial Position
The impairment of vessels and investment in joint ventures as well as depreciation of AHTS and share of losses in jointly-controlled companies resulted in a decrease in the non-current assets of the Group, from S$318.9 million as at 30 September 2016 to S$99.6 million as at 30 September 2017.

Impairment was also the main reason for the decrease in trade receivables. Subsequent to the termination of two completed shipbuilding projects (due to the failure by a customer concerned to take delivery) and 12 impairment made to the same, to be followed by a reclassification of the same to inventories (which had also undergone certain impairment adjustments), the total amount due from customers was reduced to S$3.0 million as at 30 September 2017, from S$47.4 million as at 30 September 2016, with inventories increased from S$12.2 million as at 30 September 2016, to S$15.1 million as at 30 September 2017.

The decrease in other receivables, deposits and prepayments was mainly due to the write-off of a deposit paid in connection with a disputed rig contracted with PPL following the settlement reached on 13 November 2017 and impairment on certain recoverable amounts.

Current liabilities of the Group ballooned from S$155.8 million as at 30 September 2016 to S$281.8 million as at 30 September 2017, with all the borrowings under non-current liabilities of the Group as at 30 September 2017 being reclassified as current liabilities.

Following from the above, the Group recorded:
(a) a negative equity (net liabilities position) of S$152.6 million as at 30 September 2017, compared to a positive equity of S$158.8 million as at 30 September 2016;

(b) an aggravated negative working capital of S$251.2 million as at 30 September 2017, compared to a negative working capital of S$26.0 million as at 30 September 2016; and

(c) a negative net asset value per share of 45.4 cents as at 30 September 2017, compared to a positive net asset value per shares of 47.2 cents as at 30 September 2016.

OPERATIONAL REVIEW

The offshore marine business remains challenging and competitive, with demand still under pressure. In Shipbuilding and Repairs, the Group is currently working on one ongoing shipbuilding contract of US$14.8 million that will complete in the second half of this year.

The Group continues to focus on marketing to improve its topline while concurrently continuing on cost measurement efforts to keep its costs reduced with efficient operations.

APPRECIATION

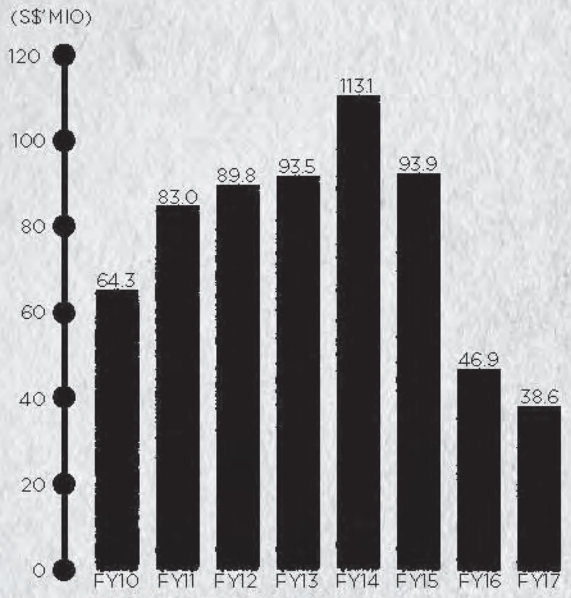
I am grateful to all the Group's stakeholders for their confidence, support and patience, which have helped Marco Polo Marine to survive the many crises and challenges: to our shareholders and bondholders, for their patience and support, our bankers, suppliers and customers for their continuing confidence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

Last but not least, I would like to record my deep appreciation and gratitude to our strategic investors for their financial lifeline to help the Group steer ahead and their confidence in the management and viability of the Group's core businesses.

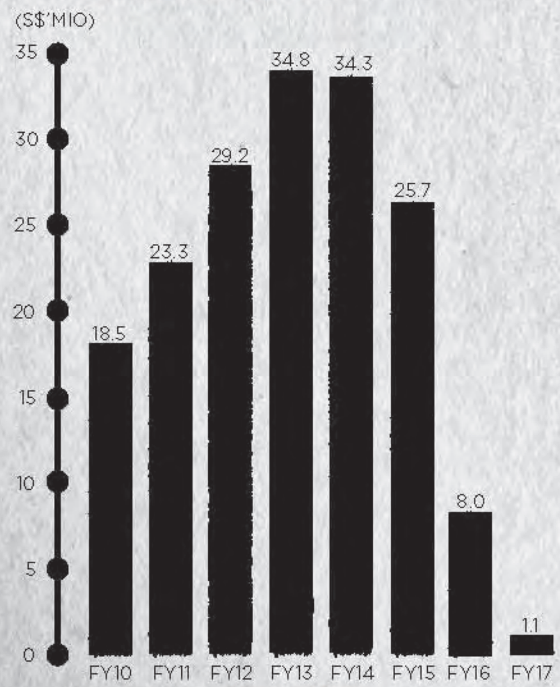
Together with such strong vote of confidence from all our stakeholders, we will now channel our hard work and resources to focus on rebuilding Marco Polo Marine. It only leaves me to say a heartfelt THANK-YOU to all!

SEAN LEE YUN FENG
Chief Executive Officer

Key Financials



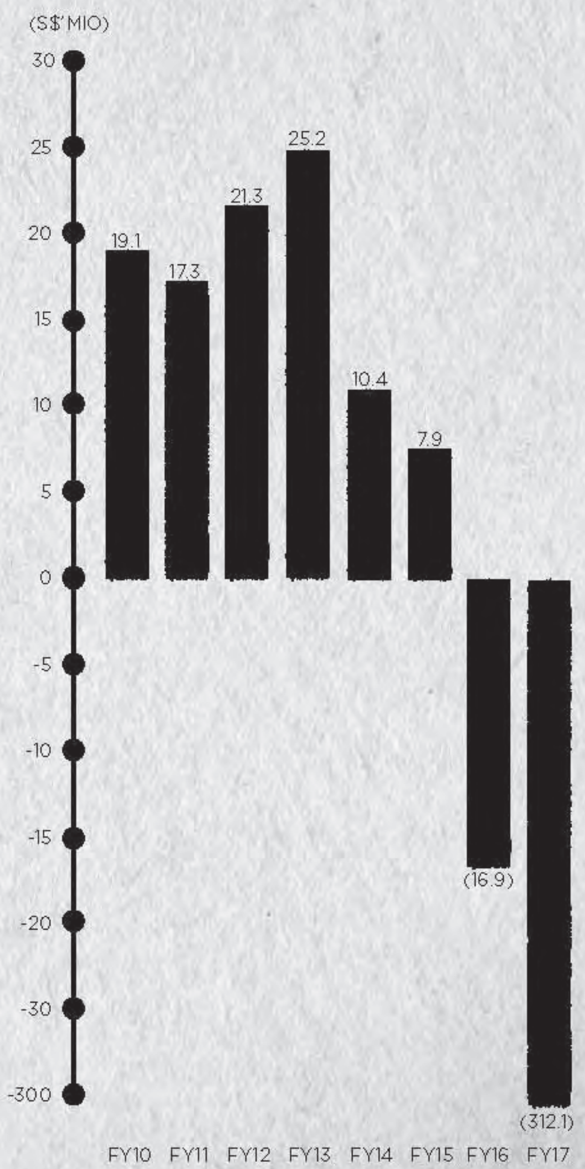
REVENUE



GROSS PROFIT

REVENUE BY BUSINESS SEGMENT

	SHIP CHARTERING	SHIP BUILDING & REPAIR	**TOTAL (S$'MIO)**
FY17	16.5	22.1	38.6
FY16	17.1	29.8	46.9
FY15	32.4	61.5	93.9
FY14	64.7	48.4	113.1
FY13	56.9	36.6	93.5
FY12	20.5	69.3	89.8
FY11	30.8	52.2	83.0
FY10	32.5	31.8	64.3



NET PROFIT / (LOSS)

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. On the operational front, he introduced a slew of strategic operational measures which greatly improved the efficiency of our fleet of vessels. 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
EXECUTIVE DIRECTOR

Ms Liely Lee is our Executive Director. 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 within seven years. 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.

LAI QIN ZHI
NON-EXECUTIVE DIRECTOR

Mdm Lai Qin Zhi is our Non-Executive Director. Mdm Lai has been a director of Marco Polo Shipping since 2001, where she oversaw the financial and taxation matters of MP Shipping. Prior to her involvement with Marco Polo Shipping, she was the Finance Director of a few companies controlled by the Lee Family, a role she presently assumes.

LIM HAN BOON
LEAD INDEPENDENT DIRECTOR

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

SIM SWEE YAM PETER
INDEPENDENT DIRECTOR

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

LEE KIAM HWEE KELVIN
INDEPENDENT DIRECTOR

Mr Lee Kiam Hwee 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.

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 29 years of experience in the marine industry, with 15 years in offshore fleet management to support oil and gas industry. Mr Loo is a qualified Marine Engineer and holds a Class One Certificate of Competency for Marine Engineer (UK) and a BTEC Higher National Diploma in Marine Engineering (UK).

MS GRACE KHAW is the Group Finance Manager. She joined our Group in August 2015. She assists the executive director in the accounting, financial, secretarial and tax related matters of our Group. She is in the accounting profession for more than 10 years. Prior to joining the Group, she worked as a finance manager in several listed companies across various industries. She is fellow member of Association of Chartered Certified Accountants and is a chartered accountant (Singapore) of the Institute of Singapore Chartered Accountants.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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 2017, the Group has adhered to the principles and guidelines as set out in the 2012 Code, except where otherwise stated. The Board will continue to improve its practices with developments by enhancing its principles and framework.

Principle 1: The Board's Conduct of Its Affairs

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

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

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

- Audit Committee
- Nominating Committee
- Remuneration Committee

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

The Board meets regularly to oversee the business and affairs of the Group. Board meetings can be by way of tele-conference and video conference which 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 directors also are provided with briefing and updates on an ongoing basis conducted by the CEO and executive director in understanding of the Group's businesses, operations and regulatory environment so as to enable them to properly discharge their duties and responsibilities as Board members.

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

The number of meetings held and the attendance report of the Board and Board Committees during the financial year ended 30 September 2017 are as follows:

	Board Meeting	Audit Committee	Nominating Committee	Remuneration Committee
No. of meetings held	**6**	**4**	**1**	**1**
		No. of meetings attended		
Lee Wan Tang	5	–	–	–
Sean Lee Yun Feng	6	–	–	–
Liely Lee	6	–	–	–
Lai Qin Zhi	6	4	1	1
Lim Han Boon	5	3	1	1
Sim Swee Yam Peter	6	4	1	1
Lee Kiam Hwee Kelvin	6	4	1	1

Principle 2: Composition of Board and Guidance

The Board comprises seven directors, three of whom are independent directors and one non-executive director. 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 enable balanced and well-considered decisions to be made. The concept of independence adopted by the Board is in accordance with the definition of an independent director in the 2012 Code.

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
Liely Lee	Executive Director
Lai Qin Zhi	Non-Executive Director
Lim Han Boon	Lead Independent Director
Sim Swee Yam Peter	Independent Director
Lee Kiam Hwee Kelvin	Independent Director

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

The Board is aware of the recommendation of the 2012 Code that in the event of the Chairman of the Board and the Chief Executive Officer are immediate family members, the independent directors should made up at least half of the Board. Nonetheless, the Board is of the view that its current size, consisting of seven directors is appropriate, taking into account the nature and scope of the operations and current financial positions 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.

Principle 3: Chairman and Chief Executive Officer

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

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

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

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

The Nominating Committee ("NC") has been set up since 13 September 2007 comprising the following members. Other than Lai Qin Zhi, all the members of the NC are independent of management, not associated with a substantial shareholder and free from any business or other relationship, which may interfere with the exercise of their independent judgment:

Sim Swee Yam Peter	Chairman, Independent Director
Lim Han Boon	Lead Independent Director
Lee Kiam Hwee Kelvin	Independent Director
Lai Qin Zhi	Non-Executive Director

The principle functions of the NC include:

- Recommending to the Board all Board appointments and assessing the effectiveness of the Board as a whole and the contribution of each director to the effectiveness of the Board.

- Evaluating the independence of the directors.

- Reviewing and making recommendations to the Board on the structure, size and composition of the Board.

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

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

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

The NC has recommended Ms Liely Lee and Mr Sim Swee Yam Peter, who are retiring at the forthcoming Annual General Meeting, to be re-elected. Both directors are retiring under Article 103 of the Company's Constitution and they had offered themselves for re-election. The Board has accepted the recommendations of the NC.

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

Directors	Appointment	Date of Initial Appointment	Date of Last Re-election
Lee Wan Tang	Executive Chairman	13 Sep 2007	20 Jan 2017
Sean Lee Yun Feng	Chief Executive Officer	13 Sep 2007	21 Jan 2016
Liely Lee	Executive Director	13 Sep 2007	27 Jan 2014
Lai Qin Zhi	Non-Executive Director	13 Sep 2007	29 Jan 2015
Lim Han Boon	Lead Independent Director	13 Sep 2007	20 Jan 2017
Sim Swee Yam Peter	Independent Director	13 Sep 2007	29 Jan 2015
Lee Kiam Hwee Kelvin	Independent Director	3 July 2009	21 Jan 2016

The key information regarding Directors is set out on page 10 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 which 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.

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 and prepares minutes for Board meetings and is responsible for ensuring that Board procedures are being followed 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. Other than Lai Qin Zhi, all the members are independent non-executive directors:

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

- 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 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$213,400 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 26 of this 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 26 to 28 of this Annual Report.

The Executive Chairman and the Chief Executive Officer, Mr Lee Wan Tang and Mr Sean Lee Yun Feng respectively have entered into separate services agreements with the Company for an initial period of three years with effect from 5 November 2007. The respective services agreements were 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.

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	**2017**	**2016**
Above S$500,000	–	–
S$250,000 to below S$500,000	3	3
Below S$250,000	4	4
Total	7	7

The following table shows a breakdown of the annual remuneration (in percentage terms) paid or payable to the directors and top four key executives of the Group for the financial year ended 30 September 2017.

	Directors' Fee	**Fixed^**	**Variable^**	**Total^**
	%	**%**	**%**	**%**
Directors				
S$250,000 to below S$500,000				
Lee Wan Tang	–	100	–	100
Sean Lee Yun Feng	–	100	–	100
Liely Lee		100	–	100
Below S$250,000				
Lai Qin Zhi	100	–	–	100
Lim Han Boon	100	–	–	100
Sim Swee Yam Peter	100	–	–	100
Lee Kiam Hwee Kelvin	100	–	–	100
Key Executives				
S$250,000 to below S$500,000				
Cheam Yeow Cheng	–	100	–	100
Loo Hin Loy	–	100	–	100
Below S$250,000				
Simon Karuntu	–	93	7	100
Grace Khaw	–	100	–	100

^Inclusive of Employer's Central Provident Fund Contributions

The aggregate total remuneration paid to the top four key executives of the Group (who are not Directors or Chief Executive Officer of the Company) during the period covered by this Annual Report was equivalent to S$840,062.31.

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 2017, 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$100,000 to below S$150,000				
Welly Handoko	Brother	100%	–	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. Other than Lai Qin Zhi, all the members are independent directors:

Lim Han Boon	Chairman, Lead Independent Director
Sim Swee Yam Peter	Independent Director
Lee Kiam Hwee Kelvin	Independent Director
Lai Qin Zhi	Non-Executive 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.

The Group believes and recognizes 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 2017, the AC concluded that there were no changes in the investment and corporate activities during the year and therefore the appointment of an internal auditor was considered not necessary for the financial year under review. Instead, the Company had put in place certain review procedures to monitor the key controls and procedures and ensure their effectiveness. Such procedures complemented the AC's oversight and supervision of the Company's internal controls. The AC was satisfied with the adequacy of the Company's internal audit function.

Based on the internal controls established and maintained by the Group, work performed by the external auditors, and reviews performed by management, various Board Committees and the Board, the Board, after making reasonable enquiries and to the best of its knowledge and belief, with the concurrence of the AC, is of the opinion that the internal controls of the Group were adequate to meet the needs of the Group in their current business environment as at the date of this Annual Report.

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 Company's Constitution that limits the number of proxies for nominee companies.

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 so as to stay informed on the Group's developments. Shareholders are invited at such meetings to put forth any questions they may have on the motions to be debated and decided.

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

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

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

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

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

Interested Person Transactions

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

Name of Interested Persons	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S$100,000 and transactions conducted under Shareholders' Mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under the Shareholders' Mandate (excluding transactions less than S$100,000) pursuant to Rule 920
	S$'000	S$'000
PT. Pelayaran Nasional Bina Buana	–	561

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, on the basis of 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.

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 2017 and the statement of financial position of the Company as at 30 September 2017.

1. Opinion of the directors

In the opinion of the directors,

(i) the consolidated 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 2017 and the financial performance, changes in equity and cash flows of the Group for the financial year ended in accordance with the provisions of the Singapore Companies Act Chapter 50 (the "Act") and Singapore Financial Reporting Standards; and

(ii) 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
Lai Qin Zhi
Sean Lee Yun Feng
Liely Lee
Lim Han Boon
Sim Swee Yam Peter
Lee Kiam Hwee Kelvin

3. Arrangements to enable directors to acquire benefits by means of the acquisition of shares and debentures

Except as disclosed under share options below in this statement, neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object 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.

4. Directors' interests in shares or debentures

According to the Register of Directors' Shareholdings kept by the Company for the purposes of Section 164 of the Singapore Companies Act, Chapter 50 (the "Act"), none of the directors holding office at the end of the financial year had any interest in the shares or debentures of the Company or its related corporations, except as follows:

	Direct interest			Deemed interest		
	At 1 October 2016	At 30 September 2017	At 21 October 2017	At 1 October 2016	At 30 September 2017	At 21 October 2017
The Company						
- Marco Polo Marine Ltd						
(No. of ordinary shares)						
Lee Wan Tang	–	–	–	208,645,174	208,645,174	208,645,174
Lim Han Boon	364,101	364,101	364,101	–	–	–
Sim Swee Yam Peter	150,000	150,000	150,000	–	–	–
Immediate and Ultimate Holding Company						
- Nautical International Holdings Ltd						
(No. of ordinary shares)						
Lee Wan Tang	660,003	660,003	660,003	–	–	–
Lai Qin Zhi	158,401	158,401	158,401	–	–	–
Sean Lee Yun Feng	237,600	237,600	237,600	–	–	–
Liely Lee	132,001	132,001	132,001	–	–	–

By virtue of Section 7 of the Act, Lee Wan Tang, Lai Qin Zhi, Sean Lee Yun Feng and Liely Lee are deemed to have interests in the entire capital of the wholly-owned subsidiaries of the Company at the beginning and at the end of the financial year.

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 30.9.2017
2013 Option	24.04.2013	24.04.2014 to 23.04.2023	0.415	3,430,000
2015 Option	28.04.2015	28.04.2016 to 27.04.2025	0.275	4,280,000
				7,710,000

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

Name	Options granted during the financial year	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
Peter Sim Swee Yam	–	100,000	–	100,000
Kelvin Lee Kiam Hwee	–	100,000	–	100,000
	–	1,940,000	–	1,940,000
Employees				
Cheam Yeow Cheng*	–	840,000	–	840,000
Chan Kean Seng*	–	640,000	–	640,000
Chandra Mohan*	–	640,000	–	640,000
Loo Hin Loy*	–	420,000	–	420,000
Other employees	–	5,420,000	2,190,000	3,230,000
	–	7,960,000	2,190,000	5,770,000
Total	**–**	**9,900,000**	**2,190,000**	**7,710,000**

* 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.

[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.

5. Share options (Continued)

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. Audit committee

The members of the audit committee at the end of the financial year are as follows:

Lim Han Boon	(Lead Independent Director)
Sim Swee Yam Peter	(Independent Director)
Lai Qin Zhi	(Non-executive Director)
Lee Kiam Hwee Kelvin	(Independent Director)

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

The Audit Committee 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 Audit Committee to the Board of Directors with any recommendations as the Audit Committee deems appropriate.

The Audit Committee 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 Audit Committee 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.

6. **Audit committee (Continued)**

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

7. **Auditors**

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

On behalf of the directors

SEAN LEE YUN FENG
Director

LIELY LEE
Director

Singapore
24 January 2018

Independent Auditors' Report
To The Members of Marco Polo Marine Ltd

Report on the Audit of Financial Statements

Opinion

We have audited the accompanying consolidated 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 2017, 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 and other explanatory information.

In our opinion, the financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore ("FRS") so as to give a true and fair view of the financial position of the Group and of the Company as at 30 September 2017 and of the financial performance, changes in equity and cash flows of the Group for the financial year ended on that date.

Basis of Opinion

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

Overview

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

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

For the audit of the current year's financial statements, we performed full scope audit of 17 components as appointed statutory auditors. We identified 7 significant components within the Group which required a full scope audit of their financial information, either because of their size or their risk characteristics, providing 94% coverage of the Group's revenue and 83% of the Group's total assets. Out of the 7 significant components, 2 were audited by component auditors and the remaining 5 were audited by us. For non-significant components that were not audited by us, we performed limited review and specific procedures on significant areas.

We focused our resources and effort on areas which were assessed to have higher risks of material misstatement, including areas which involve significant judgements and estimates to be made by directors. We will elaborate on the salient areas in the key audit matters below.

Independent Auditors' Report To The Members of Marco Polo Marine Ltd

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 period. 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.

Impairment assessment of vessels and net realisable value of unsold vessels **Refer to Note 3.2 to the financial statements**	
Key audit matter	***How the matter was addressed in our audit***
As at 30 September 2017, the Group's vessels included in property, plant and equipment and inventories are S$53.8 million and S$13.7 million (2016: S$208.1 million and S$11.3 million) respectively. Indicators of impairment on vessels exist in the form of the market downturn of global marine and offshore industry, decrease in demand and overall results of the Group. The determination of recoverable value and net realisable value of vessels involves significant estimation uncertainty and management judgement. For vessels included in property, plant and equipment, the recoverable value is based on the higher of the fair value less cost of disposal and value-in-use of the vessels. For vessels included in inventories, the Group recognised the vessels at the lower of cost and net realisable value. Net realisable value is estimated based on the selling price in the ordinary course of business less estimated costs of disposal. The Group appointed an independent professional valuer to carry out a review on the recoverable amount and net realisable value of vessels and recorded an impairment loss and write down of S$136,128,000 and S$38,750,000 respectively. In preparing the valuation report, some of the factors considered by the professional valuer include the current market conditions in which the vessels operate, review of recent market sales of similar vessels, consideration of the specification of each vessel and the inherent value and replacement cost of each vessel. Key assumptions used in assessing recoverable amount and net realisable value include consideration of whether the vessel is operational or laid up, 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.	We have evaluated the competence, capabilities and objectivity of the external valuer engaged by management. We have assessed the appropriateness of the methodologies and the reasonableness of the key assumptions used by the valuer in the valuation. We have assessed the adequacy of the disclosures on the impairment and write down of vessels in the financial statements.

Key Audit Matters (Continued)

Recoverability of trade receivables **Refer to Note 16 to the financial statements**	
Key audit matter	***How the matter was addressed in our audit***
As at 30 September 2017, the Group's trade receivables are S$4.5 million (2016: S$15.9 million), which represented approximately 15% of the Group's total current assets. The recoverability of trade receivables is also a risk area due to the current climate of the industry as well as oversupply of Offshore Supply Vessels. The Group reviews its receivables for objective evidence of impairment at least yearly. Significant financial difficulties of the debtor, the probability that the debtor will enter bankruptcy and default or delay in payments are considered objective evidence that a receivable is impaired. The process of assessing the impairment by management requires significant judgement and estimation. There is a risk that the recoverable amount of the receivables may not be accurate if the key assumptions applied by management are inappropriate. Due to the significance of this matter, we determined this as a key audit matter.	Our audit procedures includes, but are not limited to the following: • Obtained an understanding of the credit policies and credit assessment procedures; • Assessed the Group's processes and controls relating to the monitoring of trade receivables and considered aging to identify collection risks; • Reviewed debtors aging report to identify any long overdue receivables and reviewed their historical pattern of settlement; • Inquired management if there are any known disputed receivables and discussed with management on the collectability of receivables and adequacy of doubtful receivables allowances; and • Reviewed the collectability of the trade receivables by way of obtaining evidence of receipts subsequent to the balance sheet date from the customers.

Key Audit Matters (Continued)

Going Concern **Refer to Note 2.1 and Note 38 to the financial statements**	
Key audit matter	***How the matter was addressed in our audit***
As at 30 September 2017, the Group reported a net current liabilities position of S$251,247,000 (2016: S$25,977,000), largely due to the current portion of its bank borrowings amounting to S$245,837,000. The Group also incurred loss after tax of S$312,690,000 (2016: S$16,938,000). The above conditions indicate the existence of a material uncertainty which may cast significant doubt on the ability of the Group to continue as a going concern. Notwithstanding these conditions, the Group has prepared the financial statements on a going concern basis. Management have assessed the Group's ability to continue as going concern taking into consideration the Group's liquidity situation and the impact of the debt restructuring proceedings to the financial situation and cash flows of the Group. Pursuant to the Debt Restructuring Exercise, the Group will discharge its obligations to the respective creditors and through repayment in part using a portion of the cash proceeds from an equity fund raising exercise and in part by way of the issue and allotment by the Group of new ordinary shares in favour of the entitled creditors and the noteholders. Significant management judgement is involved in assessing the ability of the Group to manage its liquidity position and consequently, the use of the going concern assumption in the preparation of the financial statements. Due to the significance of this matter, we determined this as a key audit matter.	We have reviewed the debt restructuring program and made enquiries on the factual content of the debt restructuring. We have read the relevant documents including scheme of arrangement papers to verify facts and circumstances stated in the management analysis in assessing going concern. We have reviewed the 12 months cash flow projection prepared by management to monitor and manage the liquidity position of the Group. We have assessed the reasonableness of the key assumptions and estimates underlying the cash flow forecast such as the projected vessel utilisation and charter rates, and projected operating expenses by comparing them to historical data, economic and industry forecasts. We have performed sensitivity analysis around these key assumptions adopted in the forecasts. We have assessed the adequacy of the disclosures on the going concern assumption in Note 2.1 to the financial statements.

Independent Auditors' Report
To The Members of Marco Polo Marine Ltd

Other information

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

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

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

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

Responsibilities of management and directors for the Financial Statements

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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

- 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 period 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 corporations 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 Tan Chin Soon, Dominique.

MAZARS LLP
Public Accountants and
Chartered Accountants

Singapore
24 January 2018

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the financial year ended 30 September 2017

		Group	
		2017	2016
	Note	$'000	$'000
Revenue	4	38,638	46,942
Cost of sales		(37,566)	(38,959)
Gross profit		1,072	7,983
Other operating income	5	1,041	6,662
Administrative expenses		(5,717)	(7,249)
Other operating expenses		(247,198)	(9,994)
Loss from operations		(250,802)	(2,598)
Finance costs	7	(10,221)	(5,888)
Share of losses in joint ventures	13	(51,269)	(9,648)
Loss before income tax	8	(312,292)	(18,134)
Income tax (expense)/credit	9	(398)	1,196
Loss for the financial year		(312,690)	(16,938)
Other comprehensive income:			
Item that may be reclassified subsequently to profit or loss			
Share of other comprehensive income of a joint venture		194	–
Exchange differences arising from translation of foreign operations		918	(1,711)
Total other comprehensive income/(loss) for the financial year		1,112	(1,711)
Total comprehensive loss for the financial year		(311,578)	(18,649)
Loss for the financial year attributable to:			
Equity holders of the Company		(312,690)	(16,938)
Non-controlling interests		–	–
		(312,690)	(16,938)
Total comprehensive loss attributable to:			
Equity holders of the Company		(311,578)	(18,649)
Non-controlling interests		–	–
		(311,578)	(18,649)
Loss per share (cents per share)	10		
Basic		(92.9)	(5.0)
Diluted		(92.9)	(5.0)

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 2017

	Note	Group 2017 $'000	Group 2016 $'000	Company 2017 $'000	Company 2016 $'000
ASSETS					
Non-current assets					
Property, plant and equipment	11	80,765	238,178	–	–
Investment in subsidiaries	12	–	–	4,320	4,320
Investment in joint ventures	13	18,830	80,692	3,965	8,265
		99,595	318,870	8,285	12,585
Current assets					
Inventories	14	15,080	12,119	–	–
Gross amounts due from customers for construction contracts	15	3,015	47,405	–	–
Trade receivables	16	4,530	15,951	–	–
Other receivables, deposits and prepayments	17	3,196	42,553	52	168
Due from subsidiaries (non-trade)	18	–	–	96,836	96,132
Cash and cash equivalents	19	4,781	11,824	6	213
		30,602	129,852	96,894	96,513
TOTAL ASSETS		130,197	448,722	105,179	109,098
LIABILITIES AND EQUITY					
Current liabilities					
Bank overdraft	19	2,000	1,983	–	–
Derivative financial instruments	20	–	249	–	–
Trade payables	21	10,291	10,557	–	–
Other payables and accruals	22	22,066	23,871	10,412	1,514
Borrowings – interest bearing	23	245,837	116,788	50,000	–
Income tax payable		1,655	2,381	–	–
		281,849	155,829	60,412	1,514
Non-current liabilities					
Borrowings – interest bearing	23	35	133,034	–	50,000
Deferred tax liabilities	26	955	1,035	–	–
		990	134,069	–	50,000
TOTAL LIABILITIES		282,839	289,898	60,412	51,514

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 2017

	Note	Group 2017 $'000	Group 2016 $'000	Company 2017 $'000	Company 2016 $'000
Capital and reserves attributable to equity holders of the Company					
Share capital	27	59,239	59,239	59,239	59,239
Treasury shares	28	(1,203)	(1,203)	(1,203)	(1,203)
Capital reserve	29	634	634	–	–
Other reserves	29	194	–	–	–
Employee share option reserve	29	353	241	–	–
Foreign currency translation reserve	29	1,450	532	–	–
(Accumulated losses)/Retained earnings	30	(213,309)	99,381	(13,269)	(452)
TOTAL (CAPITAL DEFICIENCY) /EQUITY		(152,642)	158,824	44,767	57,584
TOTAL EQUITY AND LIABILITIES		130,197	448,722	105,179	109,098

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 2017

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

	Attributable to equity holders of the Company								
	Share capital	Treasury shares	Capital reserve	Employee share option reserve	Foreign currency translation reserve	Retained earnings	Total	Non-controlling interests	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance as at 1 October 2015	59,239	(1,203)	634	142	2,243	116,319	177,374	-	177,374
Loss for the financial year	-	-	-	-	-	(16,938)	(16,938)	-	(16,938)
Other comprehensive loss for the financial year	-	-	-	-	(1,711)	-	(1,711)	-	(1,711)
Total comprehensive loss for the financial year	-	-	-	-	(1,711)	(16,938)	(18,649)	-	(18,649)
Grant of employee share option (Note 6)	-	-	-	99	-	-	99	-	99
Balance as at 30 September 2016	59,239	(1,203)	634	241	532	99,381	158,824	-	158,824

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 2017

	Note	2017 $'000	2016 $'000
Operating activities			
Loss before income tax		(312,292)	(18,134)
Adjustments for:			
Bad debts written off		62	–
Depreciation of property, plant and equipment	11	16,508	11,445
Allowance for doubtful trade receivables	16	16,876	27
Allowance for doubtful other receivables	17	34,618	–
Inventories written down	14	38,750	87
Impairment loss on property, plant and equipment	11	136,128	–
Impairment loss on investment in joint ventures	13	7,531	–
Deposits written off		2,289	–
Interest expense		10,221	5,888
Fair value adjustment of derivative financial instruments		(251)	(17)
Interest income		(12)	(30)
Gain on disposal of property, plant and equipment, net		–	(1,622)
Share of losses in joint ventures		51,269	9,648
Reversal of impairment loss on investment in joint venture		–	(4,530)
Share based payment expense		112	99
Construction in progress written off		–	2,258
Foreign exchange difference		1,363	4,582
Operating cash flows before working capital changes		3,172	9,701
Movements in working capital			
Inventories		6,861	(311)
Trade and other receivables		(3,067)	(3,785)
Due from customers for construction contracts		(3,491)	10,270
Trade and other payables		(1,394)	3,887
Cash generated from operations		2,081	19,762
Interest paid		(51)	(319)
Income tax paid		(1,209)	(4,178)
Net cash generated from operating activities		821	15,265
Investing activities			
Purchase of property, plant and equipment	11	(9)	(42,209)
Proceeds from disposal of plant and equipment		–	3,362
Net cash used in investing activities		(9)	(38,847)

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 2017

	Note	2017 $'000	2016 $'000
Financing activities			
Interest paid on medium term note		(1,691)	(2,875)
Proceeds from term loans		–	70,335
Repayment of term loans		(3,629)	(40,255)
Repayment of finance lease payables, net		(71)	(80)
Interest paid on finance lease payables		(9)	(1)
Interest paid on term loans		(2,433)	(5,052)
Withdrawal/(Placement) of fixed deposits and bank balances pledged with licensed bank		500	(505)
Interest received		12	30
Net cash (used in)/generated from financing activities		(7,321)	21,597
Net decrease in cash and cash equivalents		(6,509)	(1,985)
Cash and cash equivalents at beginning of financial year		8,210	9,935
Effect of exchange rate changes on cash and cash equivalents		(51)	260
Cash and cash equivalents at end of financial year	19	1,650	8,210

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

Notes to The Financial Statements

For the financial year ended 30 September 2017

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

1. General information

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

The Company's immediate and ultimate holding company is Nautical International Holdings Ltd, a company incorporated in the British Virgin Islands and ultimately controlled by the executive chairman, Lee Wan Tang.

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 financial statements for the financial year ended 30 September 2017 were authorised for issue in accordance with a resolution of the Board of Directors on 24 January 2018.

2. Significant accounting policies

2.1 Basis of preparation

The 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, Cap. 50 (the "Act") and Singapore Financial Reporting Standards ("FRS") including related Interpretations of FRS ("INT FRS") and are prepared on the historical cost basis, except as disclosed in the accounting policies below.

The individual financial statements of each Group entity 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.

As at 30 September 2017, the Group reported a net current liabilities position of S$251,247,000 (2016: S$25,977,000), largely due to the current portion of its bank borrowings amounting to S$245,837,000. The Group also incurred loss after tax of S$312,690,000 (2016: S$16,938,000). Notwithstanding these conditions, the Group has prepared the financial statements on a going concern basis, in view of the expected completion of the Debt Restructuring Exercise with a group of identified investors to invest a total of S$60.0 million in the Company by way of fresh equity capital injection.

The Directors are of the view that the preparation of the financial statements on a going concern basis is appropriate as the Group had met all the significant conditions precedent of the Debt Restructuring Exercise and the Directors are confident that the Debt Restructuring Exercise will be completed. Following the completion of this Debt Restructuring Exercise, the Group's net current liabilities position will improve to a net current asset position. The details of Debt Restructuring Exercise are disclosed in Note 38 to the financial statements.

2. Significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

Consequently, management has also assessed the Group's 12 months cash flow projection from the end of the financial year end based on certain assumptions and estimates. Based on the cash flow projection, the Group is able to meet its commitments as well as repay its debts as and when they fall due within the next 12 months. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

In the current financial year, there is no new and revised FRSs and INT FRSs that are relevant to its operations and effective for annual periods beginning on or after 1 October 2016.

FRS and INT FRS issued but not yet effective

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

		Effective date (annual periods beginning on or after)
FRS 7	Amendments to FRS 7: Disclosure Initiative	1 January 2017
FRS 12	Amendments to FRS 12: Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
FRS 28	Amendments to FRS 28: Long-term Interests in Associates and Joint Ventures	1 January 2019
FRS 40	Amendments to FRS 40: Transfers of Investment Property	1 January 2018
FRS 102	Amendments to FRS 102: Classification and Measurement of Share-based Payment Transactions	1 January 2018
FRS 104	Amendments to FRS 104: Applying FRS 109 Financial Instruments with FRS 104 Insurance Contracts	1 January 2018
FRS 109	Financial Instruments	1 January 2018
FRS 109	Amendments to FRS 109: Prepayment Features with Negative Compensation	1 January 2019
FRS 110, FRS 28	Amendments to FRS 110 and FRS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
FRS 115	Revenue from Contracts with Customers	1 January 2018
FRS 115	Amendments to FRS 115: Effective date of FRS 115	1 January 2018
FRS 115	Amendments to FRS 115: Clarifications to FRS 115 Revenue from Contracts with Customers	1 January 2018
FRS 116	Leases	1 January 2019
INT FRS 122	Foreign Currency Transactions and Advance Consideration	1 January 2018
INT FRS 123	Uncertainty over Income Tax Treatments	1 January 2019
Various	Improvements to FRSs (December 2016)	Various

2. Significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

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

The Group and the Company have not early adopted any of the above new/revised standards, interpretations and amendments to the existing standards in the financial year ended 30 September 2017. Other than the following standards, management anticipates that the adoption of the aforementioned revised/new standards will not have a material impact on the financial statements of the Group and Company in the period of their initial adoption.

FRS 109 Financial Instruments

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

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

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

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

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

The Group does not intend to early adopt FRS 109. The Group is still assessing the potential impact of FRS 109 on its financial statements in the initial year of adoption.

FRS 115 Revenue from Contracts with Customers

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

2. Significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

FRS 115 Revenue from Contracts with Customers (Continued)

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

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

The Group does not intend to early adopt FRS 115. The Group is still assessing the potential impact of FRS 115 on its financial statements in the initial year of adoption.

FRS 116 Leases

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

FRS 116 requires, with limited exceptions, the lessee to recognise, at initial recognition, lease liabilities, measured at the present value of lease payments that are not paid as of that date to reflect the present value of the future lease payments, and right-of-use assets at cost, comprising elements including the amount of the initial measurement of the lease liabilities, initial direct costs incurred by the lessee and estimates of other contracted costs to be incurred by the lessee, for its lease contracts.

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

Singapore Financial Reporting Standards (International)

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

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

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

2. Significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

Singapore Financial Reporting Standards (International) (Continued)

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

2.2 Basis of consolidation

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

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

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

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

Intra-group assets and liabilities, equity, income, expenses and cashflows 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 financial year 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.

2. Significant accounting policies (Continued)

2.2 Basis of consolidation (Continued)

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

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

2.3 Business combinations

Business combinations from 1 October 2010

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

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

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

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

2. Significant accounting policies (Continued)

2.3 Business combinations (Continued)

Business combinations from 1 October 2010 (Continued)

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

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

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

- assets (or disposal groups) that are classified as held for sale in accordance with FRS 105 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

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

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

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

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

Business combinations before 1 October 2010

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

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

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

2. Significant accounting policies (Continued)

2.3 Business combinations (Continued)

Business combinations before 1 October 2010 (Continued)

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

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

2.4 Revenue recognition

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

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

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

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

Interest income

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

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. Significant accounting policies (Continued)

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 be 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.

Singapore

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.

Indonesia

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

(ii) Employee leave entitlement

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

(iii) Share based payment

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

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

2. Significant accounting policies (Continued)

2.6 Employees' benefit costs (Continued)

(iii) Share based payment (Continued)

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 associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the financial year and based on the tax consequence that will follow from the manner in which the Group expects, at the end of the financial year, to recover or settle the carrying amounts of its assets and liabilities except for the investment properties where investment properties measured at fair value are presented to be recovered entirely through sale. 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.

2. Significant accounting policies (Continued)

2.7 Income tax (Continued)

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

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 at the date of the transactions. At the end of each financial year, monetary items denominated in foreign currencies are retranslated at the rates prevailing as of the end of the financial year. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

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

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

2. Significant accounting policies (Continued)

2.10 Foreign currency transactions and translation (Continued)

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 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.

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

	Useful lives (Years)
Leasehold land	23
Freehold office building	50
Office equipment, furniture & fittings	3 – 5
Renovation	5
Vessels	15 – 20
Machinery and equipment	4 – 8
Leasehold improvements	over the remaining life of leasehold land
Motor vehicles	4 - 8
Dry dock	5

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

2. Significant accounting policies (Continued)

2.11 Property, plant and equipment (Continued)

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 value, estimated useful life and depreciation method 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. Fully depreciated assets are retained in the financial statements until they are no longer in use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The gain or loss on retirement or disposal is determined as the difference between any sales proceeds and the carrying amounts of the asset and is recognised in the profit or loss within "Other operating income (expenses)".

2.12 Intangible assets

Goodwill on acquisition

Goodwill represents the excess of the cost of an acquisition over the net fair value of the Group's interest in the identifiable assets, liabilities and contingent liabilities of the subsidiary or joint ventures carried at the date of acquisition. Goodwill is at cost less any accumulated impairment losses.

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 joint ventures.

On acquisition of the investment in an associate or joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the associate or joint venture is recognised as goodwill, which is included in the carrying amount of the investment. Any excess of the Group's share of net fair value of the identifiable assets and liabilities of the associate or joint venture over the cost of the investment after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

2. Significant accounting policies (Continued)

2.13 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.

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 financial year end in which the investment is acquired.

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

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

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

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

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

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

2. Significant accounting policies (Continued)

2.14 Impairment of tangible and intangible assets excluding goodwill

The Group reviews the carrying amounts of its tangible and intangible assets as at each financial year end 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.

Irrespective of whether there is any indication of impairment, the Group also tests its intangible assets with indefinite useful lives and intangible assets not yet available for use for impairment annually by comparing their respective carrying amounts with their corresponding recoverable amounts.

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.

2.15 Financial instruments

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

Effective interest method

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.

Financial assets

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.

2. Significant accounting policies (Continued)

2.15 Financial instruments (Continued)

Financial assets (Continued)

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.

Loans and receivables

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

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

Impairment of financial assets

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

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

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

2. Significant accounting policies (Continued)

2.15 Financial instruments (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 asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds receivables.

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

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

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

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

Financial liabilities

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

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

2. Significant accounting policies (Continued)

2.15 Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Other financial liabilities

Trade and other payables

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

Borrowings

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

Financial guarantee contracts

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

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

Derecognition of financial liabilities

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

Derivative financial instruments

The Group enters into derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, comprising foreign exchange forward contracts.

Derivatives are initially recognised at their fair values at the date the derivative contract is entered into and are subsequently re-measured to their fair values at the end of each financial year. The method of recognising the resulting gain or loss depends on whether the derivative is designated and effective as a hedging instrument, and if so, the nature of the item being hedged.

Fair value changes on derivatives that are not designated or do not qualify for hedge accounting are recognised in profit or loss when the changes arise.

2. Significant accounting policies (Continued)

2.16 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.

2.17 Construction contract work-in-progress

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

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

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

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

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

2. Significant accounting policies (Continued)

2.17 Construction contract work-in-progress (Continued)

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

2.18 Cash and cash equivalents

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

2.19 Leases

a) 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. Significant accounting policies (Continued)

2.19 Leases (Continued)

b) 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.

2.20 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.

2.21 Contingencies

A contingent liability is:

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

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

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

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

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

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

2. Significant accounting policies (Continued)

2.22 Segment reporting

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 estimates, assumptions and judgements

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 in applying the entity's accounting policies

Determination of control of subsidiaries and joint arrangements

The Group and the Company carry on parts of its business activities through subsidiaries or 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 control or joint control. The definition of control and joint control is defined in Note 2.2 and 2.13 respectively. 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 control or 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.

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

3.2 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. 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.

3. Critical accounting estimates, assumptions and judgements (Continued)

3.2 Critical accounting estimates and assumptions (Continued)

(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 2017 is approximately $18,830,000 (2016: $80,692,000). The Company's carrying amount of investments in subsidiaries as at 30 September 2017 is approximately $4,320,000 (2016: $4,320,000).

Investments in subsidiaries and joint ventures are tested for impairment whenever there is indication 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 fair value less cost to sell (2016: 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. The recoverable amount is most sensitive to the discount rate used and the projected revenue for the discounted cash flow model. The key assumptions applied in the impairment assessment of investment in joint ventures are disclosed in Note 13 to the financial statements.

During the financial year, the Group carried out a review of the recoverable amount of its investments in joint ventures. An impairment loss of $7,531,000 (2016: Nil), representing the write-down of the investments in joint ventures to the recoverable amount was included in "Other operating expenses" of the Group's profit or loss for the year ended 30 September 2017. The recoverable amount of the investments in joint ventures was based on the higher of fair value less costs to sell and its value-in-use.

(b) Carrying amount of vessels

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

During the financial year, the Group carried out a review of the recoverable amount and net realisable value of its vessels based on the valuation report issued by an independent professional valuer. The recoverable amount and net realisable value have been determined after considering the current market conditions in which the vessels operate, review of recent market sales of similar vessels, consideration of the specification of each vessel and the inherent value and replacement cost of each vessel.

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

3. Critical accounting estimates, assumptions and judgements (Continued)

3.2 Critical accounting estimates and assumptions (Continued)

(b) Carrying amount of vessels (Continued)

Consequently, an impairment loss of $136,128,000 (2016: NIL) and S$38,750,000 (2016: NIL), representing the write-down of the vessels to the recoverable amount and net realisable value was included in "Other operating expenses" of the Group's profit or loss for the year ended 30 September 2017. The impairment charge has arisen from the ship chartering services segment. The recoverable amount of the vessels was based on its fair value less costs to sell. If the fair value less costs to sell decreases by 10% from the fair value based on valuation reports, the impairment charges will increase by S$4,129,000.

The carrying amounts of the Group's vessels included in property, plant and equipment and inventories as at 30 September 2017 was $53,851,000 (2016: $208,076,000) (Note 11) and S$13,724,000 (2016: S$11,268,000) (Note 14) respectively.

(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 2017 was $2,391,000 (2016: $2,826,000) (Note 11).

(d) Income tax

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

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

3. Critical accounting estimates, assumptions and judgements (Continued)

3.2 Critical accounting estimates and assumptions (Continued)

(e) Construction contracts

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

(f) Impairment of loan and receivables

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

Where there is objective evidence of impairment, management makes judgements as to whether an impairment loss should be recorded as an expense. In determining this, management uses estimates based on historical loss experience for assets with similar credit risk characteristics. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between the estimated loss and actual loss experience. As at 30 September 2017, the cumulative allowances for impairment loss were approximately $16,925,000 (2016: $1,042,000) (Note 16).

4. Revenue

	Group	
	2017	**2016**
	$'000	**$'000**
Ship chartering services	16,572	17,092
Ship building	13,080	19,488
Ship repair services	8,986	10,362
	38,638	46,942

5. Other operating income

	Group 2017 $'000	Group 2016 $'000
Gain on disposal of property, plant and equipment	–	1,622
Interest income on bank balances and fixed deposits	12	30
Rental income	–	83
Insurance claim income	620	–
Sales of scrap metal	130	–
Reversal of impairment on investment in a joint venture	–	4,530
Sundry income	279	397
	1,041	6,662

6. Personnel expenses

	Group 2017 $'000	Group 2016 $'000
Wages, salaries and bonuses	3,857	4,914
Contributions to defined contribution plan	313	376
Directors' fee of the Company	180	240
Directors' remuneration		
- directors of the Company	1,034	1,244
Other staff costs	16	13
Share-based payment expense	112	99
	5,512	6,886

Personnel expenses include the amounts shown as directors' remuneration in Note 31 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.

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.

6. Personnel expenses (Continued)

Employee share option scheme 2012 (Continued)

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:

	2017		2016	
	No.	**Weighted average exercise prices**	**No.**	**Weighted average exercise prices**
		$		**$**
Outstanding at 1 October	8,080,000	0.345	9,220,000	0.345
- granted	–	–	–	–
- exercised	–	–	–	–
- forfeited	(370,000)	–	(1,140,000)	–
Outstanding at 30 September	7,710,000	0.345	8,080,000	0.345
Exercisable at 30 September	5,356,000	0.345	3,471,000	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:

Share option at the exercise price of $0.415	
Share price at grant date	$0.415
Expected volatility	42.843%
Risk-free interest rate (per annum)	1.5489%
Vesting period	1 to 4 years
Exit rate	5% to 52%
Exercise multiple	1.5
Share option at the exercise price of $0.275	
Share price at grant date	$0.275
Expected volatility	26.334%
Risk-free interest rate (per annum)	2.128%
Vesting period	1 to 4 years
Exit rate	0% to 16%
Exercise multiple	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	
	2017	**2016**
	$'000	**$'000**
Interest expenses on:		
- term loans	6,839	5,052
- bills payables	–	244
- bank overdraft	84	75
- finance lease obligations	9	1
- medium-term notes	3,289	516
	10,221	5,888

8. Loss before income tax

This is determined after charging/(crediting) the following:

	Group	
	2017	2016
	$'000	$'000
Inventories written down	38,750	87
Allowance for doubtful trade receivables	16,876	27
Allowance for doubtful other receivables	34,618	–
Impairment loss on property, plant and equipment	136,128	–
Impairment loss on investment in joint ventures	7,531	–
Depreciation of property, plant and equipment	16,508	11,445
Directors' fee of the Company	180	240
Remuneration paid to auditors of the Company:		
- Audit fees	169	167
- Non-audit fees	8	8
Medium term note expenses	883	343
Fair value gain on derivative financial instruments	(251)	(17)
Foreign exchange loss	209	4,936
Legal and professional fee	4,055	658
Operating lease expenses	239	237
Personnel expenses*	5,512	6,886
Provision for compensation expenses	2,845	–
Deposits written off	2,289	–

* The amount shown includes directors' remuneration. For details refer to Note 6.

9. Income tax expense/(credit)

	Group	
	2017	2016
	$'000	$'000
Current income tax		
- current financial year	582	1,147
- over provision in prior financial years	(104)	(2,267)
	478	(1,120)
Deferred income tax (Note 26)		
- current financial year	40	(76)
- over provision in prior financial years	(120)	–
	(80)	(76)
Income tax expense/(credit)	398	(1,196)

Reconciliation of effective tax rate:

	Group	
	2017	2016
	$'000	$'000
Loss before income tax	(312,292)	(18,134)
Tax at the statutory tax rate of 17%	(53,089)	(3,083)
Different tax rates in other countries	(518)	123
Tax exemption	(780)	(26)
Expenses not deductible for tax purposes	45,562	3,867
Income not subject to tax	(47)	(1,519)
Deferred tax assets not recognised	779	69
Over provision in respect of prior years	(224)	(2,267)
Share of loss in joint ventures	8,715	1,640
	398	(1,196)

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.

10. Loss per share

The calculations of loss per share are based on the profits and numbers of shares shown below.

	Basic		Diluted	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
Loss for the financial year attributable to the equity holders of the Company	(312,690)	(16,938)	(312,690)	(16,938)

Weighted average number of shares

	Number of shares	
	2017	**2016**
For basic earnings per share	336,548,000	336,548,000
For diluted earnings per share	336,548,000	336,548,000

Basic earnings per share are calculated by dividing 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 earnings per share amounts are calculated by dividing 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 for current financial year as the exercise price of the share options was higher than the Company's average share price during the current financial year.

11. Property, plant and equipment

Group	Leasehold land $'000	Freehold office building $'000	Office equipment, furniture & fittings $'000	Renovation $'000	Vessels $'000	Dry dock $'000	Machinery and equipment $'000	Leasehold improvements $'000	Motor vehicles $'000	Vessels-in-construction $'000	Total $'000
Cost											
Balance at 1.10.2015	6,311	1,102	877	356	144,879	2,149	11,696	32,243	1,100	76,750	277,463
Additions	-	-	5	-	39,294	858	-	80	35	1,937	42,209
Disposal	-	(1,102)	-	-	(1,228)	(113)	-	-	(60)	-	(2,503)
Written off	-	-	-	-	-	-	-	-	-	(2,258)	(2,258)
Transfer to dry dock	-	-	-	-	(1,653)	1,653	-	-	-	-	-
Transfer from vessels-in-construction	-	-	-	-	46,271	-	-	-	-	(46,271)	-
Reclassification	-	-	-	-	14,984	-	-	-	-	(33,493)	(18,509)
Currency realignment	-	-	(2)	-	(8,820)	(43)	-	-	-	3,335	(5,530)
Balance at 30.09.2016	6,311	-	880	356	233,727	4,504	11,696	32,323	1,075	-	290,872
Additions	-	-	9	-	-	-	-	-	-	-	9
Disposal	-	-	(38)	(63)	-	-	-	-	(27)	-	(128)
Transfer to dry dock	-	-	-	-	(950)	950	-	-	-	-	-
Reclassification	-	-	-	-	(7,406)	-	-	-	-	-	(7,406)
Currency realignment	-	-	-	-	(505)	(5)	-	39	-	-	(471)
Balance at 30.09.2017	6,311	-	851	293	224,866	5,449	11,696	32,362	1,048	-	282,876
Accumulated depreciation and accumulated impairment loss											
Balance at 1.10.2015	2,479	205	741	200	19,229	466	8,713	9,671	427	-	42,131
Depreciation charge for the financial year	277	19	57	59	7,360	888	1,002	1,704	79	-	11,445
Disposal	-	(224)	-	-	(460)	(20)	-	-	(59)	-	(763)
Transfer to dry dock	-	-	-	-	(348)	348	-	-	-	-	-
Currency realignment	-	-	15	-	(130)	(4)	-	-	-	-	(119)
Balance at 30.09.2016	2,756	-	813	259	25,651	1,678	9,715	11,375	447	-	52,694
Depreciation charge for the financial year	277	-	33	59	12,595	1,111	648	1,702	83	-	16,508
Impairment loss	-	-	-	-	136,128	-	-	-	-	-	136,128
Disposal	-	-	(38)	(63)	-	-	-	-	(27)	-	(128)
Reclassification	-	-	-	-	21	(21)	-	-	-	-	-
Currency realignment	-	-	(1)	-	(3,080)	(10)	-	-	-	-	(3,091)
Balance at 30.09.2017	3,033	-	807	255	171,315	2,758	10,363	13,077	503	-	202,111
Net carrying amount											
As at 30.09.2017	3,278	-	44	38	53,851	2,391	1,333	19,285	545	-	80,765
As at 30.09.2016	3,555	-	67	97	208,076	2,826	1,981	20,948	628	-	238,178

11. Property, plant and equipment (Continued)

Property, plant and equipment with net carrying amount of approximately $68,652,000 (2016: $204,311,000) are pledged as security for term loans (Note 25).

Motor vehicles with net carrying amount of approximately $332,000 (2016: $386,000) were acquired under finance leases.

The depreciation expenses amounting to approximately $15,843,000 (2016: $10,725,000) and $665,000 (2016: $720,000) have been recognised in the cost of sales and other operating expenses respectively.

12. Investment in subsidiaries

	Company	
	2017	**2016**
	$'000	**$'000**
Unquoted equity shares, at cost	4,320	4,320

Details of the subsidiaries are as follows:

Name of companies	**Principal activities**	**Place of incorporation/ Place of business**	**Effective interest held by the Group**	
			2017	**2016**
			%	**%**
Held by the Company				
Marco Polo Shipping Co. Pte Ltd [1]	Ship chartering	Singapore	100	100
Marco Polo Shipyard Pte Ltd [1]	Provision of contract services and trading activities	Singapore	100	100
MP Marine Pte. Ltd. [1]	Investment holding	Singapore	100	100
MP Ventures Pte. Ltd. [1]	Investment holding	Singapore	100	100
Marco Polo Drilling Pte. Ltd. [1]	Investment holding	Singapore	100	100

12. Investment in subsidiaries (Continued)

Name of companies	Principal activities	Place of incorporation/ Place of business	Effective interest held by the Group	
			2017	2016
			%	%
Held by subsidiaries:				
PT. Marcopolo Shipyard [2]	Shipbuilding and ship repair	Indonesia	100	100
MP Shipping Pte. Ltd. [1]	Ship chartering	Singapore	100	100
Marcopolo Shipping (Hong Kong) Limited [3]	Investment holding	Hong Kong	100	100
Marco Polo Offshore Pte Ltd [1]	Ship chartering, leasing and management	Singapore	100	100
MP Offshore Pte Ltd [1]	Ship chartering	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
Marco Polo Drilling (I) Pte Ltd [1]	Oil rig chartering	Singapore	100	100
PT Marco Polo Indonesia [3]	Management consultancy and marketing	Indonesia	100	100
Marco Polo Offshore (V) Pte Ltd [2]	Ship Chartering	Labuan, Malaysia	100	100
Marco Polo Offshore (VI) Pte Ltd [1]	Ship Chartering	Singapore	100	100
Marco Polo Offshore (VII) Pte Ltd [1]	Ship Chartering	Singapore	100	100

(1) Audited by Mazars LLP, Singapore.

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

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

13. Investment in joint ventures

	Group		Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Investment in joint ventures	56,377	56,377	1,090	1,090
Share of post-acquisition (losses)/ profits	(49,520)	1,749	–	–
Share of translation reserves	387	3,701	–	–
Share of other comprehensive income	194	–	–	–
Due from joint ventures (1)	18,923	18,865	7,609	7,175
	26,361	80,692	8,699	8,265
Impairment loss	(7,531)	–	(4,734)	–
	18,830	80,692	3,965	8,265

The investment 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.

Details of the joint ventures are as follows:

Name of companies	Principal activities	Place of incorporation/ Place of business	Proportion of ownership interest held by the Group	
			2017	2016
			%	%
MPST Marine Pte. Ltd. ("MPST") (2)	Ship chartering services	Singapore	50	50
Rig Tenders Offshore Pte Ltd (3)	Ship chartering services	Singapore	30	30
MPMT Pte Ltd (2) ("MPMT")	Investment holding	Singapore	50	50
Marco Polo Offshore (IV) Pte Ltd (3) ("MPO (IV)")	Ship chartering services	Labuan, Malaysia	50	50
PT Pelayaran Nasional Bina Buana Raya Tbk ("BBR") (3)	Ship chartering services	Indonesia	34.8	34.8
Held by joint ventures				
Alpine Marine Limited (4)	Ship chartering services	British Virgin Island	50	50
BBR Shipping Pte Ltd (2)	Management consultancy, marketing, and ship chartering services	Singapore	34.8	34.8

13. Investment in joint ventures (Continued)

Name of companies	Principal activities	Place of incorporation/ Place of business	Proportion of ownership interest held by the Group 2017	2016
			%	%
MPMT 1 Tankers Pte Ltd [2]	Ship chartering services	Singapore	50	50
SK Marco Polo Sdn Bhd [3][5]	Ship chartering services	Malaysia	50	–

(1) These non-trade balances are unsecured, interest-free and are not expected to be repaid within the next 12 months and are in substance, a part of the Group's net investments in the joint ventures. The timing of the future cash flows in relation to the loan cannot be estimated reliably. Consequently, it is not practicable to determine with sufficient reliability the fair value of the loan.
(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) Not required to be audited in the country of incorporation. However, it was reviewed by Mazars LLP, Singapore for the purpose of expressing an opinion on the consolidated financial statements. Subsequent to the financial year ended, the winding-up and liquidation of the Company has been completed on 16 January 2018.
(5) Incorporated during the financial year.

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

13. Investment in joint ventures (Continued)

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

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

13. Investment in joint ventures (Continued)

2016	MPST $'000	Rig Tender Offshore $'000	MPMT $'000	MPO (IV) $'000	BBR $'000	Total $'000
Assets and liabilities						
Non-current assets	45,598	14,157	17,983	39,234	194,699	
Current assets	1,116	1,467	9,262	7,324	9,527	
Current liabilities	(1,592)	(548)	(15,114)	(15,107)	(45,706)	
Non-current liabilities	(15,238)	(7,917)	(7,889)	(18,290)	(54,967)	
Net assets	29,884	7,159	4,242	13,161	103,553	
Group's share of joint venture's net assets	14,942	2,147	2,121	6,580	36,037	61,827
Cash and cash equivalents	413	13	342	626	1,248	
Current financial liabilities	–	(520)	(15,002)	(10,118)	(10,821)	
Non-current financial liabilities	(14,654)	(7,917)	(7,889)	(18,290)	(19,128)	
Results						
Revenue	2,590	–	3,747	7,577	31,056	
Expenses, including the following:	(296)	(1,726)	(3,490)	(3,366)	(66,162)	
Depreciation	–	(771)	(1,121)	(2,208)	(14,490)	
Interest expense	–	(59)	(269)	(1,058)	(2,616)	
Profit/(loss) before income tax	2,294	(1,726)	257	4,211	(35,106)	
Income tax expenses	(149)	–	–	–	(633)	
Profit/(loss) for the financial year, representing total comprehensive income/(loss)	2,145	(1,726)	257	4,211	(35,739)	
Group's share of joint ventures total comprehensive income for the year	1,072	(518)	129	2,106	(12,437)	(9,648)

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 $6,585,000 (2016: Nil). The Group has no obligation in respect of those losses.

Impairment testing for investment in joint ventures

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

13. Investment in joint ventures (Continued)

Impairment testing for investment in joint ventures (Continued)

During the financial year, the recoverable amount of the Group's interest in BBR is determined based on its fair value less cost to sell. As at 30 September 2017, 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 S$9,150,000. The fair value measurement is categorised in Level 1 of the fair value hierachy. Consequently, the Group has recognised an impairment loss of S$6,689,000 on its interest in BBR. The impairment charge has arisen from the ship chartering services segment.

In prior financial year, the Group determined its recoverable amount based on value-in-use and no impairment was required. The key assumptions used for the value-in-use calculation for BBR are as follows:

- A pre-tax discount rate of 8.8% was applied in determining the recoverable amount of the units. The discount rate was determined based on the weighted average cost of capital.

- Budgeted revenue is based on the estimated utilisation of vessels rate and current chartering fee of the existing fleet of vessels.

- A terminal value was estimated based on the average budgeted and projected cash flows at a 0% (2015: 0%) growth rate and a pre-tax discount rate of 8.8% (2015: 10.3%).

The values assigned to the key assumption represent management's assessment of future trends in the industry and are based on both external sources and internal resources.

As at 30 September 2017, the Group had also recognised an impairment loss of S$842,000 (2016: S$ Nil) on its interest in Rig Tender Offshore and MPO (IV) as the recoverable amount based on fair value is lower than the carrying amount of its interest in these joint ventures.

14. Inventories

	Group	
	2017	**2016**
	$'000	**$'000**
Raw materials	1,356	739
Work-in-progress vessels	52,561	11,268
Spare parts and consumables	–	199
Less: Inventories written down	(38,837)	(87)
	15,080	12,119

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 $21,723,000 (2016: $28,234,000).

The Group reviewed the net realisable value of 2 vessels, of which classified in work-in-progress. The carrying amount of these vessels were compared against the latest transacted or indicative selling prices of similar vessels based on the value determined by an independent professional valuer. Accordingly, the Group recorded write down of S$38,750,000 (2016: S$87,000) to other operating expenses.

15. Gross amounts due from customers for construction contracts

	Group	
	2017	2016
	$'000	$'000
Aggregate amount of costs incurred and recognised profits to date	22,986	376,405
Less: Progress billings	(19,971)	(329,000)
	3,015	47,405
Presented as:		
Due from customers for construction contracts	3,015	47,405

16. Trade receivables

	Group		Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Third parties	16,091	11,308	–	–
Amount due from joint ventures	5,364	5,685	–	–
Allowance for impairment of trade receivables	(16,925)	(1,042)	–	–
Total trade receivables	4,530	15,951	–	–
Add: Other receivables, deposits and prepayments (Note 17)	3,196	42,553	52	168
Add: Due from subsidiaries (non-trade) (Note 18)	–	–	96,836	96,132
Add: Cash and bank balances (Note 19)	4,781	11,824	6	213
Less: Prepayments	(854)	(1,266)	(48)	(32)
Less: Deferred cost	(49)	(617)	(3)	(29)
Total loans and receivables at amortised cost	11,604	68,445	96,843	96,452

17. Other receivables, deposits and prepayments

	Group		Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Other deposits	1,265	4,008	–	–
Prepayments	854	1,266	48	32
Accrued revenue	99	2,139	–	97
Deferred cost	49	617	3	29
Other receivables	129	170	1	10
Recoverable cost	800	34,353	–	–
	3,196	42,553	52	168

Included in recoverable cost represents deposit paid amounting to S$34,263,000 for the rig construction contract which was terminated in the previous financial year. During the financial year, an impairment loss of S$34,263,000 was made to write off the paid deposit of which included in "other operating expenses" of the Group's profit or loss as the amount is no longer recoverable from the builder (Note 37).

18. Due from subsidiaries (non-trade)

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

19. Cash and cash equivalents

	Group		Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Cash and bank balances	4,781	11,824	6	213
Bank overdraft	(2,000)	(1,983)	–	–
	2,781	9,841	6	213
Less: Pledged fixed deposits and bank balances	(1,131)	(1,631)	–	–
Cash and cash equivalents as stated in the statement of cash flows	1,650	8,210	6	213

Bank overdraft is denominated in Singapore dollars, bears effective interest rates at 4.25% (2016: 4.25%) per annum and is secured by mortgage over the land and building at the Batam shipyard.

During the financial year, included in cash and cash equivalents are bank deposits amounting to $1,131,000 which are not freely remissible for use by the Company because of default in payment for a UOB money market loan which the funds are deposited for trading activities as required by the bank facility.

In prior year, bank balances of $1,631,000 are pledged for bank overdraft facilities with banks.

20. Derivative financial instruments

The table below sets out the notional principal amounts of the outstanding forward currency contracts of the Group, and their corresponding asset or liability at the financial year end:

	Notional principal		Derivative liability	
	2017	**2016**	**2017**	**2016**
Group	**$'000**	**$'000**	**$'000**	**$'000**
Forward currency contracts:				
- Sell Euro and buy Singapore dollar	–	3,057	–	(117)
- Sell Australia dollar and buy United States dollar	–	822	–	(38)
- Sell Singapore dollar and buy United States dollar	–	598	–	(3)
	–	4,477	–	(158)
Interest rate swap contract	–	4,707	–	(91)
	–	9,184	–	(249)

In the previous financial year, forward currency contracts are used to hedge foreign currency risk arising from the Group's sales and purchase denominated in United States dollars and Euro for which the commitments existed at the financial year end.

All forward currency contracts were settled and the interest rate swap contract was terminated during the financial year ended.

21. Trade payables

	Group		Company	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
Third parties	10,291	10,232	–	–
Amount due to joint ventures	–	307	–	–
Amount due to related parties	–	18	–	–
	10,291	10,557	–	–
Add: Bank overdraft (Note 19)	2,000	1,983	–	–
Add: Derivative financial instrument (Note 20)	–	249	–	–
Add: Other payables and accruals (Note 22)	22,066	23,871	10,412	1,514
Add: Borrowings (Note 23)	245,872	249,822	50,000	50,000
Less: Deposits received from customer (Note 22)	(1,241)	(6,453)	–	–
Less: Deferred income (Note 22)	(221)	(3,417)	–	–
Financial liabilities at amortised cost	278,767	276,612	60,412	51,514

Trade payables to third parties are interest-free and are generally given a credit within 30 to 90 days (2016: 30 to 90 days). Trade payables to joint ventures and related parties are unsecured, interest-free and repayable on demand.

22. Other payables and accruals

	Group		Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Deposits received from customer	1,241	6,453	–	–
Accruals	15,537	11,870	6,618	210
Interest payable	3,209	1,300	3,209	1,300
Deferred income	221	3,417	–	–
Other	1,858	831	585	4
	22,066	23,871	10,412	1,514

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

23. Borrowings – interest bearing

	Group		Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Current liabilities				
Finance lease obligations (Note 24)	68	63	–	–
Term loans (Note 25)	245,769	116,725	50,000	–
	245,837	116,788	50,000	–
Non-current liabilities				
Finance lease obligations (Note 24)	35	111	–	–
Term loans (Note 25)	–	132,923	–	50,000
	35	133,034	–	50,000
Total borrowings				
Finance lease obligations (Note 24)	103	174	–	–
Term loans (Note 25)	245,769	249,648	50,000	50,000
	245,872	249,822	50,000	50,000

24. Finance lease obligations

Group	Minimum lease payments $'000	Interest $'000	Present value of payments $'000
2017			
Within one year	81	(13)	68
More than one year but not later than five years	58	(23)	35
	139	(36)	103
2016			
Within one year	79	(16)	63
More than one year but not later than five years	116	(5)	111
	195	(21)	174

Interest is payable at effective rate of 3.3% to 7.0% (2016: 3.3% to 7.0%) per annum.

25. Term loans

	Group		Company	
Bank loans	**2017 $'000**	**2016 $'000**	**2017 $'000**	**2016 $'000**
Floating rate				
#1	–	198	–	–
#2	190	285	–	–
#3	11,130	11,130	–	–
#4	15,120	15,120	–	–
#5	67,831	67,831	–	–
#6	3,200	3,200	–	–
#7	14,969	15,689	–	–
#8	19,966	22,134	–	–
#9	2,821	3,000	–	–
#10	12,725	12,768	–	–
#11	22,896	23,272	–	–
#12	19,921	20,021	–	–
Total term – secured	190,769	194,648	–	–
Fixed rate				
#13 – secured	50,000	50,000	50,000	50,000
#14 – secured	5,000	5,000	–	–
Total term loan	245,769	249,648	50,000	50,000

25. Term loans (Continued)

	Group		Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Amount repayable:				
Within one year	245,769	116,725	50,000	–
More than one year but not later than five years	–	132,923	–	50,000
	245,769	249,648	50,000	50,000

The floating rate loans bear effective interest at rates ranging from 2.39% to 5.43% (2016: 2.39% to 4.79%) per annum.

As at 30 September 2017, the Group breached the loan covenants as required by the bank. As a result, the Group's bank borrowing of $195,769,000 could be called for repayment at any time upon notification by financial institutions, and consequently a non-current portion of the borrowings amounting to $81,813,000 has been reclassified to current liabilities as at 30 September 2017. As these debts form part of the debt restructuring exercise undertaken by the Group, the amount will be settled in accordance with the respective schemes of settlement by way of combination of cash and shares (Note 38).

Loan #1

The Group was granted a vessel loan amounting to $3.161 million from a bank to finance 70% of the purchase of four vessels which was fully drawn down in 2013. Interest charged is at the bank's prevailing COF plus 2.25% per annum on monthly rest, is repayable over 48 monthly instalments and is secured by first legal mortgage over the vessels, assignment of insurance policies, charter contracts and earnings, and a corporate guarantee provided by the Company.

The Group shall maintain a net worth of not less than $55 million, while the subsidiary ("borrower") shall maintain a net worth of not less than $20 million. Net worth is defined as the sum of paid up capital, revenue reserves, retained earnings and loans from directors and shareholders. The Group shall maintain a maximum loan to security ratio of 70% at all times.

The loan has been fully repaid during the financial year.

Loan #2

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

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

25. Term loans (Continued)

Loan #3

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

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

Loan #4

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

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

Loan #5

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

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

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

25. Term loans (Continued)

Loan #6

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

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

Loan #7

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

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

Loan #8

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

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

Loan #9

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

Loan #10

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

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

25. Term loans (Continued)

Loan #11

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

Loan #12

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

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

Loan #13

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

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

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

(i) Additional interest at the rate of 1.5% per annum to be paid on the Notes; and

(ii) Grant of a second ranking mortgage over a piece land with an approximate area of 152,750 sqm in Batam, Indonesia.

(iii) Grant of a first ranking mortgage over a piece land with an approximate area of 155,858 sqm in Batam, Indonesia.

Loan #14

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

26. Deferred tax liabilities

	Group		Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
At beginning of the financial year	1,035	1,111	–	–
Charged/(Credit) to profit or loss				
- Current financial year movement	40	(76)	–	–
- Over provision in prior financial year	(120)	–	–	–
At end of the financial year	955	1,035	–	–

Deferred tax liabilities relate to the following:

Group	Consolidated statement of financial position		Consolidated statement of profit or loss	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Deferred tax liabilities				
- excess of net book value over the tax written-down value of plant and equipment	549	629	(80)	(144)
- differences in revenue recognition based on percentage of completion for tax purposes	406	406	–	–
	955	1,035	(80)	(144)
Deferred tax assets				
- unutilised tax losses	–	–	–	68
	955	1,035	(80)	(76)

The aggregate amount of temporary differences associated with undistributed earnings of subsidiaries in Indonesia for which deferred tax liabilities have not been recognised is approximately $Nil (2016: $1,540,000). No liability has been recognised in respect of these taxable temporary differences associated with undistributed earnings of the Indonesian subsidiaries because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

27. Share capital

	Group and Company			
	2017	2016	2017	2016
	Number of shares		$'000	$'000
Issued and fully paid:				
At beginning and the end of financial year	340,750,000	340,750,000	59,239	59,239

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.

28. Treasury shares

	Group and Company			
	2017		2016	
	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

29. 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.

(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.

30. Accumulated losses

	Company	
	2017	2016
	$'000	$'000
At beginning of the financial year	(452)	1,752
Loss for the financial year	(12,817)	(2,204)
At end of the financial year	(13,269)	(452)

31. Significant related party transactions

A related party is defined as follows:

(a) A person or a close member of that person's family is related to the Group and Company if that person:

(i) Has control or joint control over the Company;

(ii) Has significant influence over the Company; or

(iii) Is a member of the key management personnel of the Group or Company or of a parent of the Company.

(b) An entity is related to the Group and the Company if any of the following conditions applies:

(i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Company is itself such a plan, the sponsoring employers are also related to the Company.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

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

31. 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	
	2017	**2016**
	$'000	**$'000**
Income		
Sales of inventories to a joint venture	108	–
Ship repair revenue from a joint venture	548	409
Commission earned from a joint venture	11	13
Cost and expenses		
Purchases of concrete mix and spare parts from other related parties*	–	17
Charter expense from a joint venture	78	–

* Other related parties are companies in which a director of the Company has a controlling financial interest.

Compensation of directors and key executives

	Group	
	2017	**2016**
	$'000	**$'000**
Short-term employee benefits	1,695	2,222
Contribution to defined contribution plans	67	76
Share-based payment	112	99
	1,874	2,397
Comprised amounts paid to:		
- Directors of the Company	1,034	1,244
- Other key executives	840	1,153
	1,874	2,397

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

32. Contingencies and commitments

(i) Corporate guarantees

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

	Company	
	2017	**2016**
	$'000	**$'000**
Subsidiaries		
Term loans-secured	195,769	199,647
Joint ventures		
Share of term loans-secured	19,227	20,546
	214,996	220,193

The Company has also provided a corporate guarantee to a ship builder pursuant to a rig construction contract entered into by a subsidiary amounting to US$21.43 million (2016: US$21.43 million).

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

Upon the completion of the Debt Restructuring Exercise, the corporate guarantees given to the respective subsidiaries and joint ventures are expected to be released and discharged as disclose in Note 38 to the financial statements.

(ii) Non-cancellable operating lease commitments

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

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

	Group	
	2017	**2016**
	$'000	**$'000**
- not later than one year	246	318
- one year through five years	148	514
	394	832

33. Segment information

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

(i) Ship chartering services – Relates to charter hire activities

(ii) Ship building and repair services – Relates to ship building and ship repair activities

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

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

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For the financial year ended 30 September 2017

33. Segment information (Continued)

Business segments

	Ship chartering services $'000	Ship building and repair services $'000	Total operations $'000
2016			
External revenue	18,411	28,531	46,942
Reportable segment results from operating activities	(2,611)	(968)	(3,579)
Share of losses in joint ventures	(9,648)	–	(9,648)
Reversal of impairment on investment in a joint venture	4,530	–	4,530
Finance income	9	18	27
Finance costs	(4,424)	(1,463)	(5,887)
Unallocated net finance income			(1)
Unallocated administrative expenses			(3,576)
Loss before income tax			(18,134)
Income tax expenses			1,196
Loss for the financial year			(16,938)
Reportable segment assets	275,830	91,393	367,223
Interest in joint ventures	80,691	–	80,691
Unallocated assets			808
Total assets			448,722
Reportable segment liabilities	131,590	106,787	238,377
Unallocated liabilities			51,521
Total liabilities			289,898
Capital expenditure	42,094	115	42,209
Other material non-cash items:			
Depreciation	8,809	2,636	11,445
Allowance for doubtful receivable	27	–	27
Loss on inventories written down	–	87	87
Gain on disposal of property, plant and equipment	1,622	–	1,622
Reversal of impairment loss on investment in a joint venture	(4,530)	–	(4,530)
Write off construction in progress	2,258	–	2,258

33. Segment information (Continued)

Geographical information

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

Revenue from third party major customers amounted $16,728,000 (2016: $8,231,000) which were generated by the shipbuilding and repair services segment.

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

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

The Group	Singapore	Indonesia	Australia	Thailand	Malaysia	Others*	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
2017							
Revenue	7,656	14,741	1,635	801	8,687	5,118	38,638
Non - current assets	66,960	22,250	1,833	–	8,552	–	99,595
2016							
Revenue	9,551	21,724	1,638	1,768	7,799	4,462	46,942
Non - current assets	227,152	41,949	8,765	–	41,004	–	318,870

* Others comprise of Asian countries and Europe (2016: Asian countries and Europe).

34. Financial instruments and financial risks

The Group has documented financial risk management policies. These policies set out the Group's overall business strategies and its risk management philosophy. The Group's overall financial risk management programme seeks to minimise potential adverse effects of financial performance of the Group. The board of directors provides written principles for overall financial risk management and written policies covering specific areas, such as market risk (including foreign exchange 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.

34. Financial instruments and financial risks (Continued)

Market risk

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

Foreign exchange risk

Foreign exchange risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group also sells its products/services in several countries and for such overseas sales, it transacts mainly in United States dollars ("USD"), Australian dollars ("AUD") and Indonesia Rupiah ("IDR"). As a result, movements in USD, AUD and IDR exchange rates are the main foreign exchange 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 and Company's foreign currency denominated monetary assets and monetary liabilities as at the end of the financial year are as follows:

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

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

34. Financial instruments and financial risks (Continued)

Market risk (Continued)

Foreign exchange risk (Continued)

Group	Singapore dollars	United States dollars	Australian dollars	Indonesia Rupiah	Others*	Total
	$'000	$'000	$'000	$'000	$'000	$'000
2016						
Financial assets						
Trade receivables	4,159	10,150	278	1,364	–	15,951
Other receivables and deposits	4,150	33,940	–	745	1,835	40,670
Cash and cash equivalents	2,588	8,676	1	555	4	11,824
	10,897	52,766	279	2,664	1,839	68,445
Financial liabilities						
Bank overdraft	1,983	–	–	–	–	1,983
Derivative financial instruments	249	–	–	–	–	249
Trade payables	7,609	384	–	–	2,564	10,557
Borrowings – interest bearing	175,960	73,862	–	–	–	249,822
Other payables and accruals	13,484	207	–	164	146	14,001
	199,285	74,453	–	164	2,710	276,612
Net financial (liabilities) / asset	(188,388)	(21,687)	279	2,500	(871)	(208,167)
Less: Net financial liabilities denominated in their respective functional currencies	188,119	18,102	–	–	–	206,221
Net foreign currency exposure	(269)	(3,585)	279	2,500	(871)	(1,946)

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

34. Financial instruments and financial risks (Continued)

Market risk (Continued)

Foreign exchange risk (Continued)

Company	Singapore dollars $'000	United States dollars $'000	Total $'000
2017			
Financial assets			
Other receivables	1	–	1
Due from subsidiaries (non-trade)	36,967	59,869	96,836
Cash and bank balances	4	2	6
	36,972	59,871	96,843
Financial liabilities			
Other payables and accruals	10,412	–	10,412
Borrowing – interest bearing	50,000	–	50,000
	60,412	–	60,412
Net financial (liabilities) / assets	(23,440)	59,871	36,431
Less: Net financial liabilities denominated in the Company's functional currency	23,440	–	23,440
Net foreign currency exposure	–	59,871	59,871
2016			
Financial assets			
Other receivables	107	–	107
Due from subsidiaries (non-trade)	96,132	–	96,132
Cash and bank balances	137	76	213
	96,376	76	96,452
Financial liabilities			
Other payables and accruals	1,514	–	1,514
Borrowing – interest bearing	50,000	–	50,000
	51,514	–	51,514
Net financial assets	44,862	76	44,938
Less: Net financial assets denominated in the Company's functional currency	44,862	–	44,862
Net foreign currency exposure	–	76	76

34. Financial instruments and financial risks (Continued)

Market risk (Continued)

Foreign exchange risk (Continued)

Foreign exchange risk sensitivity

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:

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

2016	**Singapore dollars**	**United States dollars**	**Australian dollars**	**Indonesia Rupiah**	**Others**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Group					
Loss for the financial year	22	298	(23)	(208)	72
Company					
Loss for the financial year	–	(6)	–	–	–

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.

34. Financial instruments and financial risks (Continued)

Market risk (Continued)

Interest rate risk

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

The Group's interest rate risks 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**	**2017**	**2016**
		$'000	**$'000**
Within one year – floating rates			
Term loans – secured	2.39% to 5.43%	(190,769)	(111,725)
Bank overdraft – secured	4.25%	(2,000)	(1,983)
More than one year – floating rates			
Term loans - secured	2.39% to 4.79%	–	(82,923)

Interest risk sensitivity

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/increase by $1,601,000 (2016: $1,632,000). This is mainly attributable to the Group's exposure to interest rates on its variable rates borrowings.

Liquidity risk

Liquidity risks refer to the risks in which the Group encounters difficulties in meeting its short-term obligations.

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.

34. Financial instruments and financial risks (Continued)

Liquidity risk (Continued)

The following tables detail the remaining contractual maturity for non-derivative financial instruments. The tables have been drawn up based on the contractual undiscounted cash flows of financial instruments based on the earliest date on which the Group and Company can be required to pay, and includes both interest and principal cash flows.

Group	**On demand or within 1 year**	**Within 2 to 5 years**	**Total**
2017	**$'000**	**$'000**	**$'000**
Undiscounted financial assets			
Trade receivables	4,530	–	4,530
Other receivables and deposits	2,293	–	2,293
Cash and cash equivalents	4,781	–	4,781
	11,604	–	11,604
2016			
Trade receivables	15,951	–	15,951
Other receivables and deposits	40,670	–	40,670
Cash and cash equivalents	11,824	–	11,824
	68,445	–	68,445
2017			
Undiscounted financial liabilities			
Bank overdraft	2,000	–	2,000
Trade payables	10,291	–	10,291
Other payables and accruals	20,604	–	20,604
Borrowings – interest bearing	245,837	35	245,872
	278,732	35	278,767
2016			
Bank overdraft	1,983	–	1,983
Derivative financial instrument	249	–	249
Trade payables	10,557	–	10,557
Other payables and accruals	14,001	–	14,001
Borrowings – interest bearing	116,788	133,034	249,822
	143,578	133,034	276,612
Total undiscounted net financial liabilities			
- at 30 September 2017	(267,128)	(35)	(267,163)
- at 30 September 2016	(75,133)	(133,034)	(208,167)

34. Financial instruments and financial risks (Continued)

Liquidity risk (Continued)

Company	**On demand or within 1 year**	**Within 2 to 5 years**	**Total**
2017	**$'000**	**$'000**	**$'000**
Undiscounted financial assets			
Cash and cash equivalents	6	–	6
Other receivables	1	–	1
Due from subsidiaries	96,836	–	96,836
	96,843	–	96,843
2016			
Cash and cash equivalents	213	–	213
Other receivables	107	–	107
Due from subsidiaries	96,132	–	96,132
	96,452	–	96,452
2017			
Undiscounted financial liabilities			
Other payables and accruals	10,412	–	10,412
Bank borrowings – interest bearing	50,000	–	50,000
	60,412	–	60,412
2016			
Other payables and accruals	1,514	–	1,514
Bank borrowings – interest bearing	–	50,000	50,000
	1,514	50,000	51,514
Total undiscounted net financial assets/(liabilities)			
- at 30 September 2017	36,431	–	36,431
- at 30 September 2016	94,938	(50,000)	44,938

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.

34. Financial instruments and financial risks (Continued)

Credit risk (Continued)

At the end of financial year, approximately 57% of the Group's trade receivables were due from 5 major customers who operate in Singapore, Indonesia and Malaysia. In prior year, approximately 49% of the Group's trade receivables were due from 5 major customers who operate in Singapore, Indonesia and Malaysia.

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

	Company	
	2017	**2016**
	$'000	**$'000**
Corporate guarantees provided to banks and financial institutions on subsidiaries' borrowings (Note 32)	195,769	199,647
Corporate guarantees provided to banks and financial institutions on joint ventures' borrowings	19,277	20,546

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	
	2017	**2016**
	$'000	**$'000**
By geographical areas		
- Singapore	1,719	3,649
- Indonesia	553	5,568
- Other countries	2,258	6,734
	4,530	15,951

	Group	
	2017	**2016**
	$'000	**$'000**
By types of customers		
- Related parties	–	10,267
- Third parties	4,530	5,684
	4,530	15,951

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.

34. Financial instruments and financial risks (Continued)

Credit risk (Continued)

The Group's trade receivables are non-interest bearing and are generally on 30 – 60 days (2016: 30 – 60 days) term. They are recognised at their original invoice amounts which represent their fair values on initial recognition. Credit risk arises mainly from the inability of its customers to make payments when due. The amounts presented in the statement of financial position are net of allowances for impairment of receivables, estimated by management based on prior experience and the current economic environment.

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

	Group	
	2017	**2016**
	$'000	**$'000**
Not past due and not impaired	609	597
Past due but not impaired		
- past due 0 to 3 months	2,189	3,483
- past due over 3 months	1,732	6,186
	4,530	10,266
Past due and impaired trade receivables	16,925	1,042
Less: Allowance for impairment loss	(16,925)	(1,042)
	4,530	10,266

The movement in allowance for impairment loss is as follows:

	Group	
	2017	**2016**
	$'000	**$'000**
Balance at beginning of the financial year	1,042	2,654
Translation difference	(287)	7
Allowance made during the financial year	16,876	27
Written off	(706)	(1,646)
Balance at end of the financial year	16,925	1,042

Included in the Group's trade receivable balance are debtors with total carrying amount of approximately $3,921,000 (2016: $9,669,000) which are past due but not impaired as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

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

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

35. Fair values of assets and liabilities

Fair value of financial instruments 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.

See Note 3.2 (b) and Note 13 for disclosure of the carrying amounts of vessels and investments in joint ventures that are measured at fair value.

The following table shows an analysis of financial instruments carried at fair value by level of fair value hierarchy as at the financial year:

	Group			
	Level 1	**Level 2**	**Level 3**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
2017				
Financial liabilities				
Derivatives financial instruments	–	–	–	–
At 30 September 2017	–	–	–	–
2016				
Financial liabilities				
Derivatives financial instruments	–	(249)	–	(249)
At 30 September 2016	–	(249)	–	(249)

The Company had no other financial assets or liabilities carried at fair value in financial year 2017 and 2016.

35. Fair values of assets and liabilities (Continued)

Fair value of financial instruments by classes that are carried at fair value (Continued)

Determination of fair value

Derivative forward currency contracts are valued using a valuation technique with market observable inputs. The most frequently applied valuation techniques include forward pricing models, using present value calculations. The models incorporate various observable inputs including the credit quality of counterparties, foreign exchange spot and forward rates.

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

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

Valuation policies and procedures

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

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

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

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

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

36. Capital risk 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.

The capital structure of the Group consists of debt, which includes borrowings disclosed in Note 23, cash and cash equivalents as disclosed in Note 19 and equity attributable to equity holders of the parent, comprising issued capital and accumulated losses as disclosed in Notes 27 and 30.

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 2017 and financial year ended 30 September 2016.

The Group's overall strategy remains unchanged from 2016.

37. Conclusion of litigation

Termination of rig construction contract (the "Rig Construction Contract") dated 26 February 2014 entered into by the Company's subsidiary, MP Drilling (I) Pte Ltd (the "Subsidiary") and PPL Shipyard Pte Ltd (the "builder")

During the last financial year, the Group announced that the Subsidiary has issued a notice of termination of the rig construction contract (the "Rig Construction Contract") to its builder, as a result of, among others, the builder's failure to comply with certain of its material contractual obligations under the Rig Construction Contract. The Subsidiary has initiated the contractual dispute resolution process against the builder on or about 24 November 2015 to claim for, among others, the refund of the initial 10% of the contract price (amounting to US$21.43 million) that was paid. On 26 November 2015, the Subsidiary has advanced the process to mediation.

Notwithstanding the above, the builder took the position that the Rig Construction Contract remained valid and accordingly, proceeded to terminate the Rig Construction Contract on the basis that the Subsidiary had failed to make certain payments that was alleged to be due on 30 November 2015.

As at the date of the previous financial statements, the builder has made a demand for payment by the Subsidiary for a second 10% of the contract price (amounting to US$21.43 million) and interest alleged to have accrued thereon for the month of November 2015 (amounting to US$77,400). Separately, the Company has also received from the builder, a written demand for payment of the aforesaid sums pursuant to the parent company guarantee previously given by the Company in relation to the Rig Construction Contract (the "Guarantee"). In this regard, the builder has commenced court proceedings against the Company under the Guarantee.

On 7 April 2016, following the failure to reach a settlement pursuant to a mediation process involving the respective senior management of the Subsidiary and the builder, arbitration proceedings have been commenced by the parties involved in the dispute.

On 25 April 2016, the Company successfully applied to the Court for a stay of the entirety of the court proceedings instituted by the builder in favour of arbitration. In addition, the Court has ordered costs of the application to be paid by the builder to the Company on an indemnity basis.

In the previous financial year, the Subsidiary has expensed off all the overhead costs incurred previously due to the termination of Rig Construction Contract and accrued for the contractual interest on US$21.43 million at the rate of LIBOR (3 months) plus 4% per annum from the date of payment by the Subsidiary to the date of repayment by builder.

On 13 November 2017, the Company and its Subsidiary has entered into a settlement agreement on terms that a Consent Awards be entered into in favour of the builder for the whole of its claim and interest, and with the Company and its Subsidiary withdrawing their own respective claims. As this claim form part of the ongoing debt restructuring exercise, it will be settled by way of the following manner:

(a) 95% of the claim will be irrevocably waived, released, discharged and distinguished; and

(b) The balance 5% of the claim shall be settled by way of

  (i) 5% of that amount shall be settled by cash payment; and

  (ii) 95% of that amount shall be settled by the issuance of placement shares at an issue price of S$0.035 per placement share, equivalent to the 95% of the amount.

Consequently, the Company has fully provided for the claimed amount and expensed off the previously capitalised recoverable costs amounting to US$24.6 million as well as the contractual interest in "Other operating expenses" of the financial statements.

38. Subsequent events

Refinancing and debt restructuring exercise (the "Debt Restructuring Exercise")

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

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

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

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

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

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

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

38. Subsequent events (Continued)

Refinancing and debt restructuring exercise (the "Debt Restructuring Exercise") (Continued)

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

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

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

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

The Debt Restructuring Exercise is expected to complete by end of January 2018, following which the Group will fully discharged its obligations to the respective scheme creditors under the MPML Scheme and the MPSY Scheme, the Noteholders and the PKPU Secured Creditors as prescribed in the above notes. The remaining net proceeds from the equity fund will be credited to the Company. This will enable the Group to strengthen its financial position as well as to enable the Group to continue its operations as a going concern.

The financial impact arising from the debt restructuring exercise will be recorded in the financial year ending 30 September 2018.

Statistics of Shareholdings

As at 23 January 2018

Total number of ordinary shares in issue 340,750,000
Number of ordinary shares in issue with voting rights 336,548,600
Voting rights 1 vote per share

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	–	–	–	–
100 - 1,000	196	8.23	191,312	0.06
1,001 - 10,000	950	39.90	6,429,413	1.91
10,001 - 1,000,000	1,216	51.07	71,386,602	21.21
1,000,001 & ABOVE	19	0.80	258,541,273	76.82
TOTAL	2,381	100.00	336,548,600	100.00

TOP TWENTY SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	RHB SECURITIES SINGAPORE PTE LTD	209,088,174	62.13
2	HO LEE GROUP PTE LTD	9,000,000	2.67
3	HL BANK NOMINEES (S) PTE LTD	4,693,000	1.39
4	DBS NOMINEES PTE LTD	4,123,500	1.22
5	DBS VICKERS SECURITIES (S) PTE LTD	3,737,000	1.11
6	MAYBANK KIM ENG SECURITIES PTE LTD	3,661,999	1.09
7	UOB KAY HIAN PTE LTD	3,216,100	0.96
8	CITIBANK NOMINEES SINGAPORE PTE LTD	2,792,000	0.83
9	RAFFLES NOMINEES (PTE) LTD	2,614,900	0.78
10	OCBC SECURITIES PRIVATE LTD	2,254,800	0.67
11	UNITED OVERSEAS BANK NOMINEES PTE. LTD.	2,108,200	0.63
12	PHILLIP SECURITIES PTE LTD	2,027,300	0.60
13	LOI WIN YEN	1,700,000	0.50
14	ZHONG SILIANG	1,392,500	0.41
15	LI RUIHONG	1,382,800	0.41
16	TAN SOON HOE	1,333,800	0.40
17	ANG KONG MENG	1,214,300	0.36
18	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	1,100,900	0.33
19	SOH LYE HOCK	1,100,000	0.33
20	JEN SHEK CHUEN	1,000,000	0.30
		259,541,273	77.12

Statistics of Shareholdings

As at 23 January 2018

SUBSTAINTIAL SHAREHOLDERS' INFORMATION
(As recorded in the Registrar of substantial shareholders)

	DIRECT INTEREST		DEEMED INTEREST	
	NO. OF SHARES	%	NO. OF SHARES	%
Lee Wan Tang (1)	–	–	208,645,174(1)	62.00(1)
Nautical International Holdings Ltd (1)	–	–	200,418,974(1)	59.55(1)
RHB Securities Singapore Pte Ltd (2)	209,088,174(2)	62.13(2)	–	–

(1) 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) 8,226,200 Shares held by RHB Securities Singapore Pte Ltd as his nominee.

(2) Nautical International Holdings Ltd is deemed interested in 200,418,974 Shares held by RHB Securities Singapore Pte Ltd as its nominee.

COMPLIANCE WITH RULE 723 OF THE SGX-ST LISTING MANUAL

Based on information available and to the best knowledge of the Company, as at 23 January 2018, approximately 36.75% 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 23 JANUARY 2018

As at 23 January 2018, 4,201,400 ordinary shares are held as treasury shares, representing 1.25% of the total number of issued shares excluding treasury shares.

APPENDIX DATED 12 FEBRUARY 2018

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

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

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

MARCO POLO MARINE LTD

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

APPENDIX

in relation to

(1) THE PROPOSED RENEWAL OF THE SHARE BUYBACK MANDATE; AND

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

CONTENTS

Appendix

DEFINITIONS

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

"**AGM**"	:	The annual general meeting of the Company to be convened and held at 10.30 a.m. on 27 February 2018 at 87 Science Park Drive Oasis Singapore Science Park I Singapore 118260 (Palm Room), notice of which is attached to the Annual Report;
"**Appendix**"	:	This appendix to Shareholders dated 12 February 2018;
"**Associated Company**"	:	A company in which at least twenty per cent (20%) but not more than fifty per cent (50%) of its shares are held by the Company or the Group;
"**Associates**"	:	(a) In relation to any director, chief executive officer, substantial shareholder or controlling shareholder (being an individual) means:- (i) his immediate family; (ii) the trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and (iii) any company in which he and his immediate family together (directly or indirectly) have an interest of thirty per cent (30%) or more (b) In relation to a substantial shareholder or a controlling shareholder (being a company) means any other company which is its subsidiary or holding company or is a subsidiary of such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of thirty per cent (30%) or more;
"**Audit Committee**"	:	The Audit Committee of the Company as at the date of this Appendix, comprising the Audit Committee Chairman Mr Lim Han Boon, Mr Sim Swee Yam Peter, Mr Lee Kiam Hwee Kelvin and Mdm Lai Qin Zhi;
"**Audited Financial Statements**"	:	Has the meaning ascribed to it in Section 2.7 of this Appendix;
"**Average Closing Price**"	:	Has the meaning ascribed to it in Section 2.3.4 of this Appendix;
"**BBR Group**"	:	PT. Pelayaran Nasional Bina Buana Raya Tbk and its associates;
"**BBR**"	:	PT. Pelayaran Nasional Bina Buana Raya Tbk;
"**Board**"	:	The board of Directors of the Company for the time being;
"**BRJ**"	:	Has the meaning ascribed to it in Paragraph 3.1(a) of the Annex to this Appendix;
"**Circular**"	:	The circular to the Shareholders of the Company in relation to the Debt Restructuring Exercise dated 28 November 2017;

"**CDP**"	:	The Central Depository (Pte) Limited;
"**Companies Act**"	:	The Companies Act (Chapter 50) of Singapore, as amended, modified or supplemented from time to time;
"**Company" or "MPM**"	:	Marco Polo Marine Ltd;
"**Consideration Shares**"	:	Has the meaning ascribed to it in the "Definitions" section of the Circular;
"**Constitution**"	:	The constitution of the Company, being its memorandum and articles of association, as amended, modified or supplemented from time to time;
"**Controlling Shareholder**"	:	A person who:- (a) holds directly or indirectly fifteen per cent (15%) or more of the total number of issued shares excluding treasury shares in the company. The SGX-ST may determine that a person who satisfies this paragraph is not a controlling shareholder; or (b) in fact exercises control over a company;
"**day of the making of the offer**"	:	Has the meaning ascribed to it in Section 2.3.4 of this Appendix;
"**Debt Restructuring Exercise**"	:	Has the meaning ascribed to it in the "Definitions" section of the Circular;
"**Directors**"	:	The directors of the Company as at the date of this Appendix;
"**EAR Group**"	:	The Company, its subsidiaries and associated companies (including joint ventures);
"**EPS**"	:	Earnings per Share;
"**Fully Enlarged Share Capital**"	:	Has the meaning ascribed to it in the "Definitions" section of the Circular;
"**FY**"	:	The financial year ended or ending 30 September;
"**Group**"	:	The Company and its subsidiaries;
"**Highest Last Deal Price**"	:	Has the meaning ascribed to it in Section 2.3.4 of this Appendix;
"**IDX**"	:	Indonesia Stock Exchange;
"**Independent Directors**"	:	Directors who are regarded as independent for the purpose of the Listing Manual and the IPT General Mandate, namely, any of Mr Lim Han Boon, Mr Sim Swee Yam Peter, and Mr Lee Kiam Hwee Kelvin;
"**Interested Person Transactions**"	:	The categories of transactions set out in Paragraph 4 of the Annex to this Appendix with the Interested Persons;
"**Interested Persons**"	:	The categories of interested persons set out in Paragraph 3.1 of the Annex to this Appendix;

Appendix

"**Investment Shares**"	:	Has the meaning ascribed to it in the "Definitions" section of the Circular;
"**IPT General Mandate Circular**"	:	The Company's circular to Shareholders dated 10 January 2014 setting out, *inter alia*, the details of the IPT General Mandate;
"**IPT General Mandate**"	:	A general mandate given by Shareholders pursuant to Chapter 9 of the Listing Manual to authorise the EAR Group which are considered to be "entities at risk" within the meaning of Rule 904(2) of the Listing Manual, in their ordinary course of businesses, to enter into categories of transactions with specified classes of interested persons, provided that such transactions are entered into on an arm's length basis and on normal commercial terms and will not be prejudicial to the interests of the Company and its minority shareholders;
"**January 2010 EGM**"	:	The extraordinary general meeting of the Company held on 28 January 2010;
"**January 2014 EGM**"	:	The extraordinary general meeting of the Company held on 27 January 2014;
"**January 2017 AGM**"	:	The annual general meeting of the Company held on 20 January 2017;
"**Latest Practicable Date**"	:	31 December 2017, being the latest practicable date prior to the printing of this Appendix;
"**Lee Family**"	:	Mr Lee Wan Tang (our Executive Chairman), Mdm Lai Qin Zhi (our Non-Executive Director and the wife of Mr Lee Wan Tang), Mr Sean Lee Yun Feng (our Chief Executive Officer and the son of Mr Lee Wan Tang and Mdm Lai Qin Zhi), Ms Liely Lee (our Executive Director and the daughter of Mr Lee Wan Tang and Mdm Lai Qin Zhi) and Ms Lina Lee (the daughter of Mr Lee Wan Tang and Mdm Lai Qin Zhi);
"**Listing Manual**" or "**Listing Rules**"	:	The listing manual of the SGX-ST, or the rules contained therein, as amended, modified or supplemented from time to time;
"**Market Day**"	:	A day on which the SGX-ST is open for trading in securities;
"**Market Price**"	:	The price equal to the average of the last dealt prices for a Share, as determined by reference to the daily official list or other publication published by the SGX-ST for five (5) consecutive Market Days immediately preceding the relevant offer date, provided always that in the case of a Market Day on which the Shares are not traded on the SGX-ST, the last dealt price for Shares on such Market Day shall be deemed to be the last dealt price of the Shares were traded, rounded up to the nearest whole cent in the event of fractional prices;
"**Market Purchase**"	:	Has the meaning ascribed to it in Section 2.3.3(a) of this Appendix;
"**Maximum No. of Investment Shares**"	:	Has the meaning ascribed to it in the "Definitions" section of the Circular;

"**Maximum No. of Placement Shares**"	:	Has the meaning ascribed to it in the "Definitions" section of the Circular;
"**Maximum Price**"	:	Has the meaning ascribed to it in Section 2.3.4 of this Appendix;
"**NAV**"	:	Net asset value;
"**Noteholders**"	:	Has the meaning ascribed to it in the "Definitions" section of the Circular;
"**Notice of AGM**"	:	The notice of the AGM as attached to the Annual Report;
"**NTA**"	:	Net tangible assets;
"**Off-Market Purchase**"	:	Has the meaning ascribed to it in Section 2.3.3(b) of this Appendix;
"**Placement Shares**"	:	Has the meaning ascribed to it in the "Definitions" section of the Circular;
"**Proposals**"	:	Has the meaning ascribed to it in Section 1 of this Appendix;
"**Prospectus**"	:	The prospectus dated 26 October 2007 issued by the Company in connection with its initial public offering and listing and quotation of its Shares on the Mainboard of the SGX-ST;
"**Relevant Period**"	:	The period commencing from the date on which the AGM is held and expiring on the date the next annual general meeting is held or is required by law or the Constitution to be held, whichever is the earlier, after the date the resolution relating to the Share Buyback Mandate is passed;
"**Scheme Creditors**"	:	Has the meaning ascribed to it in the "Definitions" section of the Circular;
"**Securities and Futures Act**"	:	The Securities and Futures Act (Chapter 289) of Singapore, as amended, modified or supplemented from time to time;
"**SGX-ST**"	:	Singapore Exchange Securities Trading Limited;
"**Share Buyback Mandate**"	:	A general mandate given by Shareholders to authorise the Directors to purchase, on behalf of the Company, Shares in accordance with the terms set out in this Appendix as well as the rules and regulations set forth in the Companies Act and the Listing Manual;
"**Shareholders**"	:	Registered holders of Shares except that where the registered holder is CDP, the term "**Shareholders**" shall, in relation to such Shares, mean the persons whose direct securities accounts maintained with CDP are credited with the Shares;
"**Shares**"	:	Ordinary shares in the capital of the Company;
"**SRC**"	:	Has the meaning ascribed to it in Paragraph 3.1(c) of the Annex to this Appendix;

Appendix

"**Substantial Shareholder**"	:	A Shareholder who has an interest in one (1) or more voting shares in the Company and the total votes attached to those shares is not less than five per cent (5%) of the total votes attached to all the voting shares in the Company;
"**Takeover Code**"	:	The Singapore Code on Take-overs and Mergers, as amended, modified or supplemented from time to time;
"**Treasury Shares**"	:	The Shares held in treasury by the Company;
"**Warrant Shares**"	:	Has the meaning ascribed to it in the "Definitions" section of the Circular;
"**Warrants**"	:	Has the meaning ascribed to it in the "Definitions" section of the Circular;
"**%**"	:	Per centum or percentage; and
"**S$**", "**$**" and "**Singapore cents**"	:	Singapore dollars and Singapore cents respectively.

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

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

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

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

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

MARCO POLO MARINE LTD

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

LETTER TO SHAREHOLDERS

12 February 2018

Directors:

Mr Lee Wan Tang (Executive Chairman)
Mr Sean Lee Yun Feng (Chief Executive Officer)
Ms Liely Lee (Executive Director)
Mdm Lai Qin Zhi (Non-Executive Director)
Mr Lim Han Boon (Lead Independent Director)
Mr Sim Swee Yam Peter (Independent Director)
Mr Lee Kiam Hwee Kelvin (Independent Director)

Registered Office:

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

To: The Shareholders of the Company

Dear Sir / Madam

(1) THE PROPOSED RENEWAL OF THE SHARE BUYBACK MANDATE; AND

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

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1. INTRDUCTION

The Directors of the Company propose to table, for the Shareholders' consideration and approval in respect of the following matters:

(a) the renewal of the Share Buyback Mandate; and

(b) the renewal of the IPT General Mandate,

(collectively, the "**Proposals**").

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

2. THE PROPOSED RENEWAL OF THE SHARE BUYBACK MANDATE

The Share Buyback Mandate was first obtained at the January 2010 EGM and was last renewed at the January 2017 AGM, such mandate being expressed to take effect until the conclusion of the Company's forthcoming AGM. Accordingly, the Directors propose that the Share Buyback Mandate be renewed at the forthcoming AGM to be held on 27 February 2018, to take effect until the conclusion of the annual general meeting to be held in 2019 or such date as the next annual general meeting is required by law or by the Constitution of the Company to be held; unless prior thereto, share buybacks are carried out to the full extent mandated or the Share Buyback Mandate is revoked or varied by the Company in a general meeting. The terms of the mandate for share buybacks by the Company in respect of which the Share Buyback Mandate is sought to be renewed are set out in this Appendix for the easy reference of the Shareholders.

2. THE PROPOSED RENEWAL OF THE SHARE BUYBACK MANDATE (CONTINUED)

2.1 Rationale

The Directors constantly seek to increase Shareholders' value and to improve, *inter alia*, the return on equity of the Group. A share buyback at the appropriate price level is one of the ways through which the return on equity of the Group may be enhanced.

Share buybacks provide the Company with a mechanism to facilitate the return of surplus cash over and above its ordinary capital requirements in an expedient, effective and cost-efficient manner. It will also provide the Directors with greater flexibility over the Company's share capital structure with a view to enhancing the EPS and/or NAV value per Share.

The Directors further believe that share buybacks by the Company will help mitigate short-term market volatility, offset the effects of short-term speculation and bolster Shareholder confidence.

If and when circumstances permit, the Directors will decide whether to effect share buybacks via Market Purchases or Off-Market Purchases, after taking into account the amount of surplus cash available, the prevailing market conditions and the most cost-effective and efficient approach. As before, the Directors do not propose to carry out share buybacks to an extent that would, or in circumstances that might, result in a material adverse effect on the liquidity and/or the orderly trading of the Shares and/or the financial position of the Group.

2.2 Mandate

Approval was sought from Shareholders at the January 2017 AGM for the renewal of the Share Buyback Mandate for the purchase or acquisition by the Company of its issued Shares. With the approval, the Share Buyback Mandate took effect from the date of the January 2017 AGM and will continue in force until the date of the forthcoming AGM, or such date as the next annual general meeting is required by law or by the Constitution of the Company to be held; unless prior thereto, share buybacks are carried out to the full extent mandated or the Share Buyback Mandate is revoked or varied by the Company in a general meeting.

Approval is being sought from Shareholders at the AGM for the renewal of the Share Buyback Mandate for the purchase or acquisition by the Company of its issued Shares. If approved, the Share Buyback Mandate will take effect from the date of the AGM and will continue in force until the conclusion of the next annual general meeting of the Company or such date as the next annual general meeting is required by law or by the Constitution of the Company to be held; unless prior thereto, share buybacks are carried out to the full extent mandated or the Share Buyback Mandate is revoked or varied by the Company in a general meeting.

2.3 The Terms of the Mandate

The authority for and limitations placed on purchases of Shares by the Company under the Share Buyback Mandate are summarized below:

2.3.1 Maximum number of Shares

Only Shares which are issued and fully paid-up may be purchased or acquired by the Company.

The total number of Shares that may be purchased or acquired by the Company during the Relevant Period or within any one financial year of the Company, whichever is the earlier, is limited to that number of Shares representing not more than ten per cent (10%) of the issued ordinary share capital of the Company (excluding treasury shares and subsidiary holdings) as at the date of the AGM at which the Share Buyback Mandate is approved (unless the Company has effected a reduction of the share capital of the Company in accordance with the applicable provisions of the Companies Act at any time during the Relevant Period, in which event the issued ordinary share capital of the Company shall be taken to be the amount of the issued ordinary share capital of the Company as altered).

2. THE PROPOSED RENEWAL OF THE SHARE BUYBACK MANDATE (CONTINUED)

2.3.1 Maximum number of Shares (Continued)

For illustrative purposes only, based on the existing issued and paid-up share capital of the Company as at the Latest Practicable Date, comprising 336,548,600, and assuming that no further Shares are issued on or prior to the AGM, not more than 33,654,860 Shares (representing ten per cent (10%) of the issued and paid-up share capital of the Company as at that date) may be purchased or acquired by the Company pursuant to the Share Buyback Mandate.

2.3.2 Duration of authority

Purchases or acquisitions of Shares may be made, at any time and from time to time, on and from the date of the AGM at which the Share Buyback Mandate is approved, up to the earlier of:

(a) the conclusion of the next annual general meeting of the Company or the date by which such annual general meeting is required to be held;

(b) the date on which the share buybacks are carried out to the full extent mandated; or

(c) the date on which the authority contained in the Share Buyback Mandate is varied or revoked by the Company in a general meeting.

2.3.3 Manner of purchase of Shares

Purchases of Shares may be made by way of, *inter alia*:

(a) on-market purchases (the "**Market Purchase**"), transacted on the SGX-ST through the SGX-ST's Central Limit Order Book (CLOB) trading system or, as the case may be, any other stock exchange on which the Shares may for the time being be listed and quoted, through one or more duly licensed stockbrokers appointed by the Company for the purpose; and/or

(b) off-market purchases (the "**Off-Market Purchase**") (if effected otherwise than on the SGX-ST) in accordance with an equal access scheme(s) as may be determined or formulated by the Directors as they may consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act and the Listing Manual.

Under the Companies Act, an equal access scheme must satisfy all of the following conditions:

(a) offers for the purchase or acquisition of issued shares shall be made to every person who holds issued shares to purchase or acquire the same percentage of their issued Shares;

(b) all of those persons shall be given a reasonable opportunity to accept the offers made; and

(c) the terms of all the offers are the same, except that there shall be disregarded:

(i) differences in consideration attributable to the fact that offers may relate to shares with different accrued dividend entitlements;

(ii) (if applicable) differences in consideration attributable to the fact that offers relate to shares with different amounts remaining unpaid; and

(iii) differences in the offers introduced solely to ensure that each person is left with a whole number of shares.

2. THE PROPOSED RENEWAL OF THE SHARE BUYBACK MANDATE (CONTINUED)

2.3.3 Manner of purchase of Shares (Continued)

In addition, the Listing Manual provides that, in making an Off-Market Purchase, the Company must issue an offer document to all Shareholders which must contain at least the following information:

(a) the terms and conditions of the offer;

(b) the period and procedures for acceptances;

(c) the reasons for the proposed share buyback;

(d) the consequences, if any, of share buybacks by the Company that will arise under the Takeover Code or other applicable take-over rules;

(e) whether the share buyback, if made, would have any effect on the listing of the Shares on the SGX-ST;

(f) details of any share buyback made by the Company in the previous (12) months (whether Market Purchases or Off-Market Purchases), giving the total number of Shares purchased, the purchase price per Share or the highest and lowest prices paid for the purchases, where relevant, and the total consideration paid for the purchases; and

(g) whether the Shares purchased by the Company will be cancelled or kept as treasury shares.

2.3.4 Maximum purchase price

The purchase price (excluding brokerage, stamp duties, applicable goods and services tax and other related expenses) to be paid for the Shares will be determined by the Directors. However, the purchase price to be paid for a Share as determined by the Directors must not exceed:

(a) in the case of a Market Purchase, one hundred and five per cent (105%) of the Average Closing Price (as defined hereinafter); and

(b) in the case of an Off-Market Purchase pursuant to an equal access scheme, one hundred and twenty per cent (120%) of the Highest Last Dealt Price (as defined hereinafter),

(the "**Maximum Price**") in either case, excluding related expenses of the purchase.

For the above purposes:

"**Average Closing Price**" means the average of the closing market prices of a Share over the last five (5) Market Days, on which transactions in the Shares were recorded, preceding the day of the Market Purchase, and deemed to be adjusted for any corporate action that occurs after the relevant (5) five-day period;

"**Highest Last Dealt Price**" means the highest price transacted for a Share as recorded on the Market Day on which there were trades in the Shares immediately preceding the day of the making of the offer pursuant to the Off-Market Purchase; and

"**day of the making of the offer**" means the day on which the Company announces its intention to make an offer for the purchase of Shares from Shareholders, stating the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase.

2. THE PROPOSED RENEWAL OF THE SHARE BUYBACK MANDATE (CONTINUED)

2.4 Status of Purchased Shares under the Share Buyback Mandate

A Share purchased or acquired by the Company is deemed cancelled immediately on purchase or acquisition (and all rights and privileges attached to the Share will expire on such cancellation) unless such Share is held by the Company as a treasury share. Accordingly, the total number of issued Shares will be diminished by the number of Shares purchased or acquired by the Company and which are not held as treasury shares.

2.5 Treasury Shares

Under the Companies Act, Shares purchased or acquired by the Company may be held or dealt with as treasury shares. Some of the provisions on treasury shares under the Companies Act are summarized below:

2.5.1 <u>Maximum holdings</u>

The number of Shares held as treasury shares cannot at any time exceed ten per cent (10%) of the total number of issued Shares.

2.5.2 <u>Voting and other rights</u>

The Company cannot exercise any right in respect of treasury shares. In particular, the Company cannot exercise any right to attend or vote at meetings and for the purposes of the Companies Act, the Company shall be treated as having no right to vote and the treasury shares shall be treated as having no voting rights.

In addition, no dividend may be paid, and no other distribution of the Company's assets may be made, to the Company in respect of treasury shares. However, the allotment of shares as fully paid bonus shares in respect of treasury shares is allowed. Also, a subdivision or consolidation of any treasury share into treasury shares of a smaller amount is allowed so long as the total value of the treasury shares after the subdivision or consolidation is the same as before.

2.5.3 <u>Disposal and cancellation</u>

Where Shares are held as treasury shares, the Company may at any time:

(a) sell the treasury shares for cash;

(b) transfer the treasury shares for the purposes of or pursuant to any relevant employees' share scheme;

(c) transfer the treasury shares as consideration for the acquisition of shares in or assets of another company or assets of a person;

(d) cancel the treasury shares; or

(e) sell, transfer or otherwise use the treasury shares for such other purposes as may be prescribed by the Minister for Finance.

2.6 Source of Funds for Share Buyback

The Companies Act, subject to the Constitution of the Company, permits the Company to purchase its own Shares out of capital, as well as from its distributable profits, provided that:

(a) the Company is able to pay its debts in full at the time it purchases the Shares and will be able to pay its debts as they fall due in the normal course of business in the twelve (12) months immediately following the purchase; and

(b) the value of the Company's assets is not less than the value of its liabilities (including contingent liabilities) and will not after the purchase of Shares become less than the value of its liabilities (including contingent liabilities).

2. THE PROPOSED RENEWAL OF THE SHARE BUYBACK MANDATE (CONTINUED)

2.6 Source of Funds for Share Buyback (Continued)

Further, for purposes of determining the value of a contingent liability, the Directors or managers of the Company may take into account the following:

(a) the likelihood of the contingency occurring; and

(b) any claim the Company is entitled to make and can reasonably expect to be met to reduce or extinguish the contingent liability.

The Company may use internal sources of funds and/or external borrowings to finance the Company's purchase or acquisition of the Shares pursuant to the Share Buyback Mandate. The Directors will only make purchases or acquisitions pursuant to the Share Buyback Mandate in circumstances which they believe will not result in any material adverse effect to the financial position of the Company or the Group.

2.7 Financial Effects of the Share Buyback Mandate

The financial effects on the Company and the Group arising from purchase or acquisition of Shares which may be made pursuant to the Share Buyback Mandate will depend on, inter alia, the number of Shares purchased or acquired, whether such purchase or acquisition is made out of capital and/or profits, and the price paid for such Shares. The financial effects on the Company and the Group, based on the audited financial statements of the Company and the Group for the financial year ended 30 September 2017 (the "**Audited Financial Statements**"), are based on the following principal assumptions:

(a) the purchase or acquisition of Shares pursuant to the Share Buyback Mandate had taken place on 1 October 2016 for the purpose of computing the financial effects on the EPS of the Group and the Company;

(b) the purchase or acquisition of Shares pursuant to the Share Buyback Mandate had taken place on 30 September 2017 for the purpose of computing the financial effects on the shareholders' equity, NAV per Share and gearing of the Group and the Company;

(c) the purchase or acquisition of Shares pursuant to the Share Buyback Mandate is assumed to be financed by internal funds; and

(d) transaction costs incurred for the purchase or acquisition of Shares pursuant to the Share Buyback Mandate are assumed to be insignificant and have been ignored for the purpose of computing the financial effects.

2.7.1 Purchase or acquisition out of capital

Where the consideration paid by the Company for the purchase or acquisition of Shares is made out of capital, the amount of distributable profits available for cash dividends by the Company will not be reduced.

2.7.2 Proforma financial effects

For illustrative purposes only, and on the basis of the assumptions set out below, the proforma financial effects of the acquisition of Shares by the Company pursuant to the Share Buyback Mandate by way of (i) purchases made entirely out of capital and cancelled; and (ii) by way of purchases made entirely out of capital and held as treasury shares, on the Audited Financial Statements are set out below.

2. THE PROPOSED RENEWAL OF THE SHARE BUYBACK MANDATE (CONTINUED)

2.7 Financial Effects of the Share Buyback Mandate (Continued)

2.7.2 Proforma financial effects (Continued)

(a) Purchases made entirely out of capital and Shares repurchased are cancelled

Market Purchases

For illustrative purposes only, in a Market Purchase, assuming that the Maximum Price is S$0.0592, which is five per cent (5%) above the average of the closing market prices of a Share over the last five (5) Market Days on which transactions in the Shares were recorded immediately preceding the Latest Practicable Date, the maximum amount of funds required for the purchase of up to 33,654,860 Shares (representing ten per cent (10%) of the total issued share capital of the Company as at the Latest Practicable Date, which is the maximum number of Shares the Company is allowed to purchase) under and during the duration of the Share Buyback Mandate, is approximately S$1.992 million. On these assumptions and further assuming the purchase of Shares was financed by external borrowings, the effect of the purchase of Shares by the Company pursuant to the Share Buyback Mandate on the EPS, the shareholders' equity, NAV per Share and gearing of the Group and the Company are as follows:

	The Group		The Company	
	Per audited financial statements S$'000	Proforma after share buyback S$'000	Per audited financial statements S$'000	Proforma after share buyback S$'000
As at 30 September 2017				
Share capital	59,239	57,247	59,239	57,247
Translation reserves	1,450	1,450	–	–
Other reserves	1,181	1,181	–	–
Accumulated losses	(213,309)	(213,309)	(13,269)	(13,269)
Treasury shares	(1,203)	(1,203)	(1,203)	(1,203)
Total shareholders' equity	(152,642)	(154,634)	44,767	42,775
Non-current assets	99,595	99,595	8,285	8,285
Current assets	30,602	30,602	96,894	96,894
Current liabilities	(281,849)	(283,841)	(60,412)	(62,404)
Non-current liabilities	(990)	(990)	–	–
NAV	(152,642)	(154,634)	44,767	42,775
Total borrowings	245,872	247,864	50,000	50,000
Cash and bank balances	2,781	2,781	6	6
Number of shares outstanding as at 30 September 2017 ('000)	336,548	302,893	336,548	302,893
Weighted average number of shares outstanding during the year ended 30 September 2017 ('000)	340,766	307,112	340,766	307,112
Financial Ratios				
NAV per share (Singapore cents)(1)	(45.36)	(51.05)	13.30	14.12
Gearing(2)	(1.59)	(1.58)	1.12	1.17
Diluted EPS (Singapore cents)(3)	(92.91)	(103.23)	–	–

Notes:-

(1) NAV per Share equals to NAV divided by the number of Shares outstanding as at 30 September 2017.

(2) Gearing equals to total bank and other borrowings net of cash and cash equivalents divided by total equity.

(3) EPS equals to profit attributable to Shareholders divided by the weighted average number of Shares outstanding during the financial year ended 30 September 2017.

2. THE PROPOSED RENEWAL OF THE SHARE BUYBACK MANDATE (CONTINUED)

2.7 Financial Effects of the Share Buyback Mandate (Continued)

2.7.2 Proforma financial effects (Continued)

(a) Purchases made entirely out of capital and Shares repurchased are cancelled (Continued)

Off-Market Purchase

For illustrative purposes only, in an Off-Market Purchase, assuming that the Maximum Price is S$0.0708, which is twenty per cent (20%) above the highest price transacted for a Share as recorded on the Market Day on which there were trades in the Shares immediately preceding the Latest Practicable Date, the maximum amount of funds required for the purchase of up to 33,654,860 Shares (representing approximately ten per cent (10%) of the total issued share capital of the Company as at the Latest Practicable Date, which is the maximum number of Shares the Company is allowed to purchase) under and during the duration of the Share Buyback Mandate, is approximately S$2.383 million. On these assumptions and further assuming the purchase of Shares was financed by external borrowings and the effect of the purchase of Shares by the Company pursuant to the Share Buyback Mandate on the EPS, the shareholders' equity, NAV per Share and gearing of the Group and the Company are as follows:

	The Group		The Company	
	Per audited financial statements S$'000	Proforma after share buyback S$'000	Per audited financial statements S$'000	Proforma after share buyback S$'000
As at 30 September 2017				
Share capital	59,239	56,856	59,239	56,856
Translation reserves	1,450	1,450	–	–
Other reserves	1,181	1,181	–	–
Accumulated losses	(213,309)	(213,309)	(13,269)	(13,269)
Treasury shares	(1,203)	(1,203)	(1,203)	(1,203)
Total shareholders' equity	(152,642)	(155,025)	44,767	42,384
Non-current assets	99,595	99,595	8,285	8,285
Current assets	30,602	30,602	96,894	96,894
Current liabilities	(281,849)	(284,232)	(60,412)	(62,795)
Non-current liabilities	(990)	(990)	–	–
NAV	(152,642)	(155,025)	44,767	42,384
Total borrowings	245,872	247,864	50,000	50,000
Cash and bank balances	2,781	2,781	6	6
Number of shares outstanding as at 30 September 2017 ('000)	336,548	302,893	336,548	302,893
Weighted average number of shares outstanding during the year ended 30 September 2017 ('000)	340,766	307,112	340,766	307,112
Financial Ratios				
NAV per share (Singapore cents)(1)	(45.36)	(51.18)	13.30	13.99
Gearing(2)	(1.59)	(1.59)	1.12	1.18
Diluted EPS (Singapore cents)(3)	(92.91)	(103.23)	–	–

Notes:-

(1) NAV per Share equals to NAV divided by the number of Shares outstanding as at 30 September 2017.

(2) Gearing equals to total bank and other borrowings net of cash and cash equivalents divided by total equity.

(3) EPS equals to profit attributable to Shareholders divided by the weighted average number of Shares outstanding during the financial year ended 30 September 2017.

2. THE PROPOSED RENEWAL OF THE SHARE BUYBACK MANDATE (CONTINUED)

2.7 Financial Effects of the Share Buyback Mandate (Continued)

2.7.2 Proforma financial effects (Continued)

(b) Purchases made entirely out of capital and Shares repurchased are held as treasury shares

Market Purchases

For illustrative purposes only, in a Market Purchase, assuming that the Maximum Price is S$0.0592, which is five per cent (5%) above the average of the closing market prices of a Share over the last five (5) Market Days on which transactions in the Shares were recorded immediately preceding the Latest Practicable Date, the maximum amount of funds required for the purchase of up to 33,654,860 Shares (representing ten per cent (10%) of the total issued share capital of the Company as at the Latest Practicable Date, which is the maximum number of Shares the Company is allowed to purchase) under and during the duration of the Share Buyback Mandate, is approximately S$1.992 million. On these assumptions and further assuming the purchase of Shares was financed by external borrowings and the effect of the purchase of Shares by the Company pursuant to the Share Buyback Mandate on the EPS, the shareholders' equity, NAV per Share and gearing of the Group and the Company are as follows:

	The Group		The Company	
	Per audited financial statements S$'000	Proforma after share buyback S$'000	Per audited financial statements S$'000	Proforma after share buyback S$'000
As at 30 September 2017				
Share capital	59,239	59,239	59,239	59,239
Translation reserves	1,450	1,450	–	–
Other reserves	1,181	1,181	–	–
Accumulated losses	(213,309)	(213,309)	(13,269)	(13,269)
Treasury shares	(1,203)	(3,195)	(1,203)	(3,195)
Total shareholders' equity	(152,642)	(154,634)	44,767	42,775
Non-current assets	99,595	99,595	8,285	8,285
Current assets	30,602	30,602	96,894	96,894
Current liabilities	(281,849)	(283,841)	(60,412)	(62,404)
Non-current liabilities	(990)	(990)	–	–
NAV	(152,642)	(154,634)	44,767	42,775
Total borrowings	245,872	247,864	50,000	50,000
Cash and bank balances	2,781	2,781	6	6
Number of shares outstanding as at 30 September 2017 ('000)	336,548	302,893	336,548	302,893
Weighted average number of shares outstanding during the year ended 30 September 2017 ('000)	340,766	307,112	340,766	307,112
Financial Ratios				
NAV per share (Singapore cents)[1]	(45.36)	(51.05)	13.30	14.12
Gearing[2]	(1.59)	(1.58)	1.12	1.17
Diluted EPS (Singapore cents)[3]	(92.91)	(103.23)	–	–

Notes:-

(1) NAV per Share equals to NAV divided by the number of Shares outstanding as at 30 September 2017.

(2) Gearing equals to total bank and other borrowings net of cash and cash equivalents divided by total equity.

(3) EPS equals to profit attributable to Shareholders divided by the weighted average number of Shares outstanding during the financial year ended 30 September 2017.

2. **THE PROPOSED RENEWAL OF THE SHARE BUYBACK MANDATE (CONTINUED)**

2.7 Financial Effects of the Share Buyback Mandate (Continued)

2.7.2 Proforma financial effects (Continued)

(b) Purchases made entirely out of capital and Shares repurchased are held as treasury shares (Continued)

Off-Market Purchase

For illustrative purposes only, in an Off-Market Purchase, assuming that the Maximum Price is S$0.0708, which is twenty per cent (20%) above the highest price transacted for a Share as recorded on the Market Day on which there were trades in the Shares immediately preceding the Latest Practicable Date, the maximum amount of funds required for the purchase of up to 33,654,860 Shares (representing approximately ten per cent (10%) of the total issued share capital of the Company as at the Latest Practicable Date, which is the maximum number of Shares the Company is allowed to purchase) under and during the duration of the Share Buyback Mandate, is approximately S$2.383 million. On these assumptions and further assuming the purchase of Shares was financed by external borrowings and the effect of the purchase of Shares by the Company pursuant to the Share Buyback Mandate on the EPS of the Group, the shareholders' equity, NAV per Share and gearing of the Group and the Company are as follows:

	The Group		The Company	
	Per audited financial statements S$'000	**Proforma after share buyback S$'000**	**Per audited financial statements S$'000**	**Proforma after share buyback S$'000**
As at 30 September 2017				
Share capital	59,239	59,239	59,239	59,239
Translation reserves	1,450	1,450	–	–
Other reserves	1,181	1,181	–	–
Accumulated losses	(213,309)	(213,309)	(13,269)	(13,269)
Treasury shares	(1,203)	(3,586)	(1,203)	(3,586)
Total shareholders' equity	(152,642)	(155,025)	44,767	42,384
Non-current assets	99,595	99,595	8,285	8,285
Current assets	30,602	30,602	96,894	96,894
Current liabilities	(281,849)	(284,232)	(60,412)	(62,795)
Non-current liabilities	(990)	(990)	–	–
NAV	(152,642)	(155,025)	44,767	42,384
Total borrowings	245,872	247,864	50,000	50,000
Cash and bank balances	2,781	2,781	6	6
Number of shares outstanding as at 30 September 2017 ('000)	336,548	302,893	336,548	302,893
Weighted average number of shares outstanding during the year ended 30 September 2017 ('000)	340,766	307,112	340,766	307,112
Financial Ratios				
NAV per share (Singapore cents)[1]	(45.36)	(50.18)	13.30	13.99
Gearing[2]	(1.59)	(1.59)	1.12	1.18
Diluted EPS (Singapore cents)[3]	(92.91)	(103.23)	–	–

Notes:-

(1) NAV per Share equals to NAV divided by the number of Shares outstanding as at 30 September 2017.

(2) Gearing equals to total bank and other borrowings net of cash and cash equivalents divided by total equity.

(3) EPS equals to profit attributable to Shareholders divided by the weighted average number of Shares outstanding during the financial year ended 30 September 2017.

2. THE PROPOSED RENEWAL OF THE SHARE BUYBACK MANDATE (CONTINUED)

2.7 Financial Effects of the Share Buyback Mandate (Continued)

2.7.2 Proforma financial effects (Continued)

Shareholders should note that the proforma financial effects set out above are for illustrative purposes only. Although the Share Buyback Mandate would authorise the Company to purchase or acquire up to ten per cent (10%) of the issued Shares, the Company may not necessarily purchase or acquire or be able to purchase or acquire the entire ten per cent (10%) of the issued Shares. In addition, the Company may cancel all or part of the Shares repurchased or hold all or part of the Shares repurchased in treasury.

2.8 Taxation

Shareholders who are in doubt as to their respective tax provisions or any tax implications arising from the Share Buy Back Mandate or who may be subject to tax in a jurisdiction other than Singapore should consult their own professional advisers.

2.9 Listing Rules

The Listing Manual specifies that a listed company shall report all purchases or acquisitions of its shares to the SGX-ST not later than 9.00 a.m. (a) in the case of a Market Purchase, on the Market Day following the day of purchase or acquisition of any of its shares; and (b) in the case of an Off-Market Purchase under an equal access scheme, by 9.00 a.m. on the second Market Day after the close of acceptances of the offer. Such announcement currently requires the inclusion of details of the total number of shares purchased, the purchase price per share or the highest and lowest prices paid for such shares, as applicable.

While the Listing Manual does not expressly prohibit any purchase of shares by a listed company during any particular time or times, because the listed company would be regarded as an "insider" in relation to any proposed purchase or acquisition of its issued shares, the Company will not undertake any purchase or acquisition of Shares pursuant to the proposed Share Buyback Mandate at any time after a price sensitive development has occurred or has been the subject of a decision, until the price sensitive information has been publicly announced. In particular, in line with the best practices guide on securities dealings issued by the SGX-ST, the Company would not purchase or acquire any Shares through Market Purchases during the period commencing two (2) weeks immediately preceding the announcement of the Company's financial statements for each of the first three quarters of its financial year and one (1) month immediately preceding the announcement of the Company's financial statements for its annual (full-year) results, and ending on the date of the announcement of the relevant results.

The Listing Manual requires a listed company to ensure that at least ten per cent (10%) of any class of its listed securities must be held by public shareholders. As at the Latest Practicable Date, approximately 38.00% of the issued Shares were held by public Shareholders. Accordingly, the Company is of the view that there is a sufficient number of the Shares in issue held by public Shareholders which would permit the Company to undertake purchases or acquisitions of its Shares through Market Purchases up to the full ten per cent (10%) limit pursuant to the Share Buyback Mandate without affecting the listing status of the Shares on the SGX-ST, and that the number of Shares remaining in the hands of the public will not fall to such a level as to cause market illiquidity or to affect orderly trading.

2. THE PROPOSED RENEWAL OF THE SHARE BUYBACK MANDATE (CONTINUED)

2.10 Take-Over Obligations

Appendix 2 of the Takeover Code contains the Share Buy-Back Guidance Note applicable as at the Latest Practicable Date. The take-over implications arising from any purchase or acquisition by the Company of its Shares are set out below:

Obligation to make a take-over offer

If, as a result of any purchase or acquisition by the Company of its Shares, a Shareholder's proportionate interest in the voting capital of the Company increases, such increase will be treated as an acquisition for the purposes of Rule 14 of the Takeover Code. If such increase results in a change of effective control, or, as a result of such increase, a Shareholder or group of Shareholders acting in concert obtains or consolidates effective control of the Company, such Shareholder or group of Shareholders acting in concert could become obliged to make a mandatory take-over offer for the Company under Rule 14 of the Takeover Code.

Persons acting in concert

Under the Takeover Code, persons acting in concert comprise individuals or companies who, pursuant to an agreement or understanding (whether formal or informal), cooperate, through the acquisition by any of them of shares in a company, to obtain or consolidate effective control of that company.

Unless the contrary is established, the following persons will, inter alia, be presumed to be acting in concert:

(a) A company with its parent company, subsidiaries, its fellow subsidiaries, any associated companies of the aforesaid companies, and any company whose associated companies include any of the aforesaid companies. For this purpose, a company is an associated company of another company if the second company owns or controls at least twenty per cent (20%) but not more than fifty per cent (50%) of the voting rights of the first mentioned company;

(b) A company with any of its directors (together with their close relatives, related trusts as well as companies controlled by any of the directors, their close relatives and related trusts);

(c) A company with any of its pension funds and employee share schemes;

(d) A person with any investment company, unit trust or other fund in respect of the investment account which such person manages on a discretionary basis;

(e) A financial or other professional adviser (including a stockbroker), with its clients in respect of the shareholdings of the adviser and the persons controlling, controlled by or under the same control as the adviser and all the funds which the adviser manages on a discretionary basis, where the shareholding of the adviser and any of those funds in the client total ten per cent (10%) or more of the client's equity share capital;

(f) Directors of a company, together with their close relatives, related trusts and companies controlled by any of them, which is subject to an offer or where they have reason to believe a bona fide offer for their company may be imminent;

(g) Partners;

(h) An individual, his close relatives, his related trusts, and any person who is accustomed to act according to his instructions and companies controlled by any of the aforesaid persons; and

(i) Any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the above for the purchase of voting rights.

2. THE PROPOSED RENEWAL OF THE SHARE BUYBACK MANDATE (CONTINUED)

2.10 Take-Over Obligations (Continued)

The circumstances under which Shareholders of the Company (including Directors of the Company) and persons acting in concert with them respectively will incur an obligation to make a take-over offer under Rule 14 after a purchase or acquisition of Shares by the Company are set out in Appendix 2 of the Takeover Code.

Effect of Rule 14 and Appendix 2 of the Takeover Code

In general terms, the effect of Rule 14 and Appendix 2 is that, unless exempted, Directors of the Company and persons acting in concert with them will incur an obligation to make a takeover offer for the Company under Rule 14 if, as a result of the Company purchasing or acquiring its Shares, the voting rights of such Directors and their concert parties, being in aggregate less than thirty per cent (30%) before such purchase or acquisition, would increase to thirty per cent (30%) or more, or if the voting rights of such Directors and their concert parties fall between thirty per cent (30%) and fifty per cent (50%) of the Company's voting rights, the voting rights of such Directors and their concert parties would increase by more than one per cent (1%) in any period of six (6) months.

Under Appendix 2, a Shareholder not acting in concert with the Directors of the Company will not be required to make a take-over offer under Rule 14 if, as a result of the Company purchasing or acquiring its Shares, the voting rights of such Shareholder in the Company would increase to thirty per cent (30%) or more, or, if such Shareholder holds between thirty per cent (30%) and fifty per cent (50%) of the Company's voting rights, the voting rights of such Shareholder would increase by more than one per cent (1%) in any period of six (6) months. Such Shareholder need not abstain from voting in respect of the resolution authorising the Share Buyback Mandate.

2.11 Application of the Singapore Code On Takeovers And Mergers

Save as disclosed above, the Directors are not aware of any fact(s) or factor(s) which suggest or imply that any particular person(s) and/or Shareholder(s) are, or may be regarded as, parties acting in concert such that their respective interests in voting Shares should or ought to be consolidated, and consequences under the Takeover Code would ensue as a result of a purchase of Shares by the Company pursuant to the Share Buyback Mandate.

Shareholders who are in doubt as to their obligations, if any, to make a mandatory take-over offer under the Takeover Code as a result of any purchase or acquisition of Shares by the Company should consult the Securities Industry Council and/or their professional advisers at the earliest opportunity.

Shareholding of the certain parties before and after Share purchases under the Share Buyback Mandate (for illustrative purposes only)
Based on the shareholding interest of the parties listed above as at the Latest Practicable Date and assuming that:

(a) the Company undertakes Share purchases under the Share Buyback Mandate up to the maximum of ten per cent (10%) of the issued share capital of the Company as permitted by the Share Buyback Mandate;

(b) there is no change in the holding of Shares between the Latest Practicable Date and the date of the AGM;

(c) no new Shares are issued following approval being received from Shareholders at the AGM for the Share Buyback Mandate; and

(d) the parties as set out below do not sell or otherwise dispose of their holding of Shares,

2. THE PROPOSED RENEWAL OF THE SHARE BUYBACK MANDATE (CONTINUED)

2.11 Application of the Singapore Code On Takeovers And Mergerss (Continued)

their holding of Shares as at the date of the AGM and after the purchase by the Company of ten per cent (10%) of the issued share capital of the Company pursuant to the Share Buyback Mandate is as follows:

	Before Share buyback (as at the Latest Practicable Date)				After Share buyback			
	Direct Interest		Deemed Interest		Direct Interest		Deemed Interest	
	Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%
Nautical Holdings International Ltd(1)(2)	–	–	200,418,974	59.55	–	–	200,418,974	66.17
RHB Securities Singapore Pte Ltd(1)(2)	209,088,174	62.13	–	–	209,088,174	69.03	–	–
Lee Wan Tang(1)	–	–	208,645,174	62.0	–	–	208,645,174	68.88

Notes:-

(1) 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) 8,226,200 Shares held by RHB Securities Singapore Pte Ltd as his nominee.

(2) Nautical International Holdings Ltd is deemed interested in 200,418,974 Shares held by RHB Securities Singapore Pte Ltd as its nominee.

2.12 Shares Purchased by the Company

In the last twelve (12) months preceding the Latest Practicable Date, the Company did not purchase Shares by way of Market Purchase pursuant to the Share Buyback Mandate granted at the January 2017 AGM.

3. THE PROPOSED RENEWAL OF THE IPT GENERAL MANDATE

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

The IPT General Mandate has been subsequently modified by way of Shareholders' approval, the latest modification being at the January 2014 EGM and the latest renewal of such modified mandate being at the January 2017 AGM, such mandate being expressed to take effect until the conclusion of the Company's forthcoming AGM. Accordingly, the Directors propose that the IPT General Mandate be renewed at the forthcoming AGM, to take effect until the conclusion of the annual general meeting to be held in 2018.

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

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

3.1 Details of the IPT General Mandate

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

3.2 Audit Committee Statement

The Audit Committee, save for Mdm Lai Qin Zhi who is deemed to be interested in the Interested Person Transactions, confirms that:

(a) the methods and procedures for determining the transaction prices under the IPT General Mandate have not changed since the January 2017 AGM; and

(b) the methods and procedures referred to in Section 3.2(a) above are sufficient to ensure that the transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.

4. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

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

	Number of Shares			
	Direct Interest	**%[1]**	**Deemed Interest**	**%[1]**
Director				
Mr Lee Wan Tang[2]	–	–	208,645,174[2]	62.00[2]
Mr Sean Lee Yun Feng[3]	–	–	770,000[3]	0.23[3]
Ms Liely Lee[4]	–	–	770,000[4]	0.23[4]
Mdm Lai Qin Zhi	–	–	–	–
Mr Lim Han Boon[5]	364,101	0.11	200,000[5]	0.06[5]
Mr Peter Sim Swee Yam[6]	150,000	0.04	100,000[6]	0.03[6]
Mr Kelvin Lee Kiam Hwee[7]	–	–	100,000[7]	0.03[7]
Substantial Shareholder (Other than Directors)				
Nautical International Holdings Ltd[2][8]	–	–	200,418,974[2][8]	59.55[2][8]
RHB Securities Singapore Pte Ltd[2][8]	209,088,174	62.13	–	–

Notes:

(1) Percentages are based on the issued capital of the Company of 336,548,600 as at the Latest Practicable Date.

(2) Lee Wan Tang is deemed interested in: (a) the 200,418,974 Shares in which Nautical International Holdings Ltd has a deemed interest in as Lee Wan Tang holds 660,003 ordinary shares in Nautical International Holdings Ltd; and (b) 8,226,200 Shares held by RHB Securities Singapore Pte Ltd as his nominee.

(3) Sean Lee Yun Feng is deemed interested in 770,000 Shares which will be issued and allotted to him upon the exercise of the employee share options granted to him under the employee share option scheme of the Company ("MPM ESOS").

4. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS (CONTINUED)

Notes: (Continued)

(4) Liely Lee is deemed interested in 770,000 Shares which will be issued and allotted to her upon the exercise of the employee share options granted to her under the MPM ESOS.

(5) Lim Han Boon is deemed interested in 200,000 Shares which will be issued and allotted to him upon the exercise of the employee share options granted to him under the MPM ESOS.

(6) Peter Sim Swee Yam is deemed interested in 100,000 Shares which will be issued and allotted to him upon the exercise of the employee share options granted to him under the MPM ESOS.

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

(8) Nautical International Holdings Ltd is deemed interested in 200,418,974 Shares held by RHB Securities Singapore Pte Ltd as its nominee.

In connection with the Debt Restructuring Exercise, assuming the issuance and allotment of the Maximum No. of Investment Shares (i.e., 2,142,857,141 Investment Shares), the Maximum No. of Placement Shares (i.e., 1,000,594,259 Placement Shares), up to 269,238,880 Warrant Shares (assuming the exercise of all 269,238,880 Warrants) and 57,142,857 Consideration Shares, the interests of Directors and Substantial Shareholders of the Company are as follows:

	Number of Shares			
	Direct Interest	**%[1]**	**Deemed Interest**	**%[1]**
Director				
Mr Lee Wan Tang[2]	–	–	375,561,313[2]	9.87[2]
Mr Sean Lee Yun Feng[3]	–	–	770,000[3]	0.02[3]
Ms Liely Lee[4]	–	–	770,000[4]	0.02[4]
Mdm Lai Qin Zhi	–	–	–	–
Mr Lim Han Boon[5]	655,382	0.017	200,000[5]	0.005[5]
Mr Peter Sim Swee Yam[6]	270,000	0.007	100,000[6]	0.003[6]
Mr Kelvin Lee Kiam Hwee[7]	–	–	100,000[7]	0.003[7]
Substantial Shareholder (Other than Directors)				
Nautical International Holdings Ltd[2][8]	–	–	360,754,153[2][8]	9.48[2][8]
RHB Securities Singapore Pte Ltd[2][8]	376,358,713	9.89	–	–
Apricot Capital Pte. Ltd.	714,285,714	18.77	–	–
Yanlord Capital Pte. Ltd.	357,142,857	9.38	–	–
Zhong Sheng Jian[9]	360,000	0.009	357,142,857[9]	9.38[9]
Penguin International Limited	357,142,857	9.38	–	–
United Overseas Bank Ltd	310,980,985	8.17	–	–

Notes:

(1) Based on the Fully Enlarged Share Capital (i.e., 3,806,381,737 Shares).

(2) Lee Wan Tang is deemed interested in: (a) the 360,754,153 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) 14,807,160 Shares held by RHB Securities Singapore Pte Ltd as his nominee.

4. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS (CONTINUED)

Notes: (Continued)

(3) Sean Lee Yun Feng is deemed interested in 770,000 Shares which will be issued and allotted to him upon the exercise of the employee share options granted to him under the MPM ESOS.

(4) Liely Lee is deemed interested in 770,000 Shares which will be issued and allotted to her upon the exercise of the employee share options granted to her under the MPM ESOS.

(5) Lim Han Boon is deemed interested in 200,000 Shares which will be issued and allotted to him upon the exercise of the employee share options granted to him under the MPM ESOS.

(6) Peter Sim Swee Yam is deemed interested in 100,000 Shares which will be issued and allotted to him upon the exercise of the employee share options granted to him under the MPM ESOS.

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

(8) Nautical International Holdings Ltd is deemed interested in 360,754,153 Shares held by RHB Securities Singapore Pte Ltd as its nominee.

(9) Zhong Sheng Jian is deemed interested in the 357,142,857 Shares held by Yanlord Capital Pte. Ltd..

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

5. DIRECTORS' RECOMMENDATION

Proposed Renewal of the Share Buyback Mandate
The Directors are of the opinion that the proposed Share Buyback Mandate is in the best interests of the Company, and accordingly recommend Shareholders to vote in favour of the ordinary resolution relating to renewing the Share Buyback Mandate at the AGM as set out in the Notice of AGM.

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

6. ABSTENTION FROM VOTING

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

7. DIRECTORS' RESPONSIBILITY STATEMENT

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

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

8. ANNUAL GENERAL MEETING

The AGM, notice of which is set out in the Annual Report, will be held at 10.30 a.m. on 27 February 2018 at 87 Science Park Drive Oasis Singapore Science Park I Singapore 118260 (Palm Room) for the purpose of considering, and if thought fit, passing with or without any modifications, the ordinary resolutions set out in the Notice of AGM.

9. ACTIONS TO BE TAKEN BY SHAREHOLDERS

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

10. DOCUMENTS AVAILABLE FOR INSPECTION

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

(i) the Constitution of the Company;

(ii) the audited consolidated financial statements of the Group for the financial year ended 30 September 2017; and

(iii) the annual report of the Company for the financial year ended 30 September 2017.

Yours faithfully
For and on behalf of
Marco Polo Marine Ltd

Lee Wan Tang
Executive Chairman

ANNEX

The IPT General Mandate

1. Chapter 9 of the Listing Manual

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

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

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

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

1.3 Based on the latest audited accounts of Marco Polo Marine Ltd ("**MPM**" or the "**Company**") and its subsidiaries and associated companies (the "**EAR Group**" or the "**Group**") for the financial year ended 30 September 2017, the NTA of the EAR Group was S$(152,642,000). In relation to MPM, for the purposes of Chapter 9 of the Listing Manual, in the financial year ended 30 September 2017 and until such time as the audited accounts of the EAR Group for the financial year ending 30 September 2017 are published, five per cent (5%) of the latest audited NTA of the EAR Group would be S$(7,632,100).

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

1.5 Under the Listing Manual:

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

a person who:

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

(ii) in fact exercises control over the company.

Appendix

1. Chapter 9 of the Listing Manual (Continued)

1.5 Under the Listing Manual: (Continued)

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

(i) the listed company;

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

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

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

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

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

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

2. Scope of the IPT General Mandate

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

2. Scope of the IPT General Mandate (Continued)

2.2 As disclosed in the IPT General Mandate Circular, the Company has elected to deem the BBR Group as an Interested Person. BBR has been listed on the IDX with effect from 9 January 2013. As at the Latest Practicable Date, the Lee Family holds an aggregate of 18.35% in BBR; and in the event that their shareholding in BBR increases (whether by way of open-market purchases on the IDX or otherwise) to thirty per cent (30%) or more, the BBR Group will be deemed to be an interested person for the purposes of Chapter 9 of the Listing Manual. Thus, to ensure compliance with Chapter 9 of the Listing Manual, the Company has elected to deem, as far as a transaction involving the BBR Group and any member of the EAR Group is concerned, the BBR Group as an interested person, and accordingly has included the BBR Group as an Interested Person in the IPT General Mandate. However, in respect of Interested Person Transactions that relate to the BBR Group's provision of ship chartering services to BRJ as set out in Paragraph 4(a)(i) below, the BBR Group will be regarded as an entity at risk instead of an Interested Person. As mentioned in Paragraph 3.1 below, BRJ is an Interested Person of the Company. Notwithstanding the inclusion of the BBR Group as an Interested Person in the IPT General Mandate, the Company has conservatively deemed the BBR Group as an entity at risk for the purposes of Chapter 9 of the Listing Manual by virtue of its status as a jointly controlled entity of the Company. Accordingly, BRJ will be regarded as an Interested Person, while the BBR Group will be regarded as an entity at risk, in the context of Interested Person Transactions between BRJ and the BBR Group.

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

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

3. Categories of Interested Persons

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

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

(b) Mount Kawi Pte Ltd and its associates;

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

(d) the BBR Group (which the Company has elected to deem as an Interested Person for the reasons set out in Paragraph 2.2 above).

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

4. **Categories of the Interested Person Transactions**

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

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

(i) Ship chartering services

The EAR Group has been providing ship chartering services to BRJ to transport mining products such as granite mix aggregates and coal since 1991. It is intended that the EAR Group will continue to provide such ship chartering services to BRJ in the future. In addition, the EAR Group may provide ship chartering services to other Interested Persons (excluding the BBR Group) from time to time. For the avoidance of doubt, the BBR Group shall be deemed as an entity of the EAR Group (instead of an Interested Person) for the purposes of its provision of ship chartering services to BRJ.

(ii) Ship repair and ship maintenance services

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

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

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

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

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

The BBR Group had previously provided the EAR Group with ship agency services in relation to the EAR Group's provision of ship chartering and transhipment services, including assisting the EAR Group in handling various shipping administration, immigration, licensing as well as customs and clearance matters in Indonesia. It is possible that the EAR Group will continue to utilise such services, and vice versa, the EAR Group may provide such services to the BBR Group, in the future. The EAR Group had also entered into a standard ship management agreement with BBR Group to provide ship management services to its offshore supply vessels.

(iii) Sourcing of vessel crew

The BBR Group had in the past sourced vessel crew for the EAR Group's vessels. Where such transactions are in the interests of the EAR Group, the EAR Group may seek such services from the BBR Group, and vice versa, the EAR Group may provide such services to the BBR Group, in the future.

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

(c) **Other transactions**

(i) Sale of existing vessels
It is envisaged that in the future, the EAR Group may enter into sale arrangements with the BBR Group in respect of existing vessels which have undergone a period of prior utilization by the EAR Group.

(ii) Sale and/or lease back of newly built vessels

It is envisaged that in the future, the EAR Group may sell newly built vessels to the BBR Group and/or thereafter lease such vessels back from the BBR Group for an agreed period of time.

(iii) Provision of corporate guarantees

When the BBR Group purchases vessels from the EAR Group or jointly controlled entity partner, the BBR Group may obtain financing support to fund such purchases. In consideration of the extension of loans to the BBR Group for payment to the EAR Group, the financing banks may require certain entities in the EAR Group, in particular, the Company, to provide corporate guarantees.

5. **Rationale for and Benefits of the IPT General Mandate**

5.1 **Rationale**

It is anticipated that in the ordinary course of business, transactions of a revenue or trading nature between companies in the EAR Group and the Interested Persons are likely to occur from time to time. Such transactions would include, but are not limited to the provisions of goods and services in the ordinary course of business of the EAR Group to MPM's interested persons or the obtaining of goods and services from them.

In view of the time-sensitive nature of commercial transactions, the obtaining of the IPT General Mandate pursuant to Chapter 9 of the Listing Manual will enable:

(a) MPM;

(b) Subsidiaries of MPM; and

(c) Associated companies of MPM over which the Group, or the Group and interested person(s) of MPM, has or have control,

(together, the "**EAR Group**"), or any of them, in the ordinary course of their businesses, to enter into the Interested Person Transactions set out in Paragraph 4 above with the specified categories of Interested Persons set out in Paragraph 3.1 above, provided such Interested Person Transactions are made on normal commercial terms and are not prejudicial to the interests of the Company and its minority shareholders.

The IPT General Mandate (and its subsequent renewal thereafter on an annual basis) will enhance the ability of companies in the EAR Group to pursue business opportunities which are time-sensitive in nature, and will eliminate the need for MPM to announce, or to announce and convene separate general meetings on each occasion to seek Shareholders' prior approval for the entry by the relevant company in the EAR Group into such transactions. This will substantially reduce the expenses associated with the convening of general meetings on an ad hoc basis, improve administrative efficacy considerably, and allow manpower resources and time to be channelled towards attaining other corporate objectives.

5. Rationale for and Benefits of the IPT General Mandate (Continued)

5.2 Benefits

Our Directors are of the view that it will be beneficial to the EAR Group to transact with the Interested Persons in relation to the aforementioned categories of Interested Person Transactions, for the following reasons:

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

(i) Ship chartering services

The EAR Group has been chartering vessels to BRJ which requires such vessels to transport mining products such as granite mix aggregates and coal. Such chartering services comprise a substantial portion of the EAR Group's ship chartering business. We believe that it is in the best interests of the EAR Group to continue to provide such services to BRJ.

(ii) Ship repair and ship maintenance services

In addition to building ships, we carry on the business of ship repair and ship maintenance at our established shipyard. In the event that any company controlled by the Lee Family acquires any vessels (both newly built and reflagged vessels) pursuant to the sale and/or lease back arrangement with the EAR Group, it would be to the benefit of the EAR Group to provide ship repair and maintenance services for such vessels.

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

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

The EAR Group purchases building materials such as concrete, pilings and granite from SRC and BRJ for the construction of facilities at our shipyard, which is currently underway. If EAR Group is required to obtain such materials from another party, we may not be able to obtain comparable prices as those provided by SRC and BRJ without a substantial bulk purchase. Further, sourcing for new suppliers may result in delay in the completion of the shipyard.

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

Over the years, we believe that the EAR Group has developed a good relationship with the BBR Group, which provides ship agency services to the EAR Group for the purposes of our provision of ship chartering and transhipment services. In the event that the EAR Group is required to obtain such ship agency services (including procuring another party to enter into transhipment contracts on our behalf) from an unrelated third party, we would have to develop a new relationship with such unrelated third party and may not be able to obtain comparable rates or quality of service from such unrelated third party. Conversely, the EAR Group will be able to benefit from providing its expertise and services to the BBR Group in relation to managing of offshore supply vessels, customs and clearance matters outside Indonesia.

(iii) Recruitment of crew

The BBR Group has in the past recruited vessel crew for our vessels. We believe that it is beneficial to the EAR Group to have the option of having the BBR Group source Indonesian vessel crew for our vessels. Conversely, the EAR Group will be able to benefit from providing recruitment services to the BBR Group in the event the BBR Group requires help in sourcing for non-Indonesian crew.

5. **Rationale for and Benefits of the IPT General Mandate (Continued)**

(c) Other transactions

(i) Sale of existing vessels

The Indonesian-incorporated companies within the Group are subject to the cabotage principle, whereby domestic sea transportation in Indonesian waters is to be conducted only by Indonesian-flagged vessels, which in turn may only be owned by Indonesian companies. This has been strictly implemented since 2005. While none of the entities in the EAR Group are able to own Indonesian-flagged vessels, the entities in the BBR Group are able to. The EAR Group, through BBR, will thus be able to leverage upon the BBR Group's Indonesian contacts in, inter alia, the sale and ownership of the EAR Group's vessels and in various other transactions/projects in Indonesia. The sale of vessels from the EAR Group to the BBR Group will enable both parties to be competitive in tendering for transactions/projects in the respective regions in which the parties operate. Consequently, the EAR Group will be able to enjoy the financial rewards of securing such transactions/projects, regardless as to whether such transactions/ projects are secured by the EAR Group or the BBR Group.

For the avoidance of doubt, the proceeds from any such sale of vessel from the EAR Group to the BBR Group will be booked by the relevant entity within the EAR Group as revenue.

(ii) Sale and/or lease back of newly built vessels

The EAR Group has in the past entered into sale and lease back of vessels arrangements with the BBR Group. This sale and lease back arrangement serves a two-pronged purpose. Firstly, it allows us to improve our cash flow, while expanding the fleet size that we are currently operating since we will continue to have the full commercial and operational control of our vessels. In this way, we are able to deploy capital more efficiently towards developing our existing businesses and acquiring new related businesses. Secondly, by adopting the sale and/or lease back strategy, the EAR Group is able to operate on Indonesian-flagged vessels and avail itself of the cost benefits (such as reduced tax and duties) accorded to such vessels. We believe that it is beneficial to the EAR Group to embark on such a strategy. In addition, the EAR Group would also be able to benefit from the sale of its newly built vessels to the BBR Group for reasons similar to those set out in Paragraph 5.2(c)(i) above.

For the avoidance of doubt, the proceeds from any such sale of vessel from the EAR Group to the BBR Group will be booked by the relevant entity within the EAR Group as revenue.

(iii) Provision of corporate guarantees

It is in the interest of the EAR Group to provide corporate guarantees to the BBR Group when necessary, as this facilitates the EAR Group's or its Joint Controlled Entity partner sale and/or lease back transactions with the BBR Group, in certain circumstances when the lending bank/ banks require the EAR Group to provide corporate guarantees pursuant to the sale and/or lease back arrangements described above.

6. Guidelines and Review Procedures under the IPT General Mandate

6.1 Review Procedures

We have implemented the following procedures to supplement existing internal control procedures to ensure that Interested Person Transactions are undertaken on an arm's length basis and on normal commercial terms and are not prejudicial to the interests of our Company and our minority Shareholders and are consistent with our usual business practice and policies, which are generally no more favourable to the Interested Persons than those extended to unrelated third parties (and where applicable, vice versa, such that the terms extended by the Interested Persons to, and accepted by, the EAR Group are no less favourable than those extended to unrelated third parties):

(a) When selling items (other than vessels) or supplying services to an Interested Person, the price and terms of other successful sales of a similar nature to third party non-interested person will be used in comparison to ensure that the interests of our Company and minority Shareholders are not disadvantaged. The sale or fee for the supply of services shall not be lower than the lowest sale or fee of the latest two successful transactions with third party non-interested persons. In the case of the provision of ship repair and maintenance services, the required amount of repairs shall be guided by an independent class surveyor.

(b) Save for the engagement of the BBR Group in relation to acting on the EAR Group's behalf in transhipment contracts and providing ship agency services, in which case compliance with the Agency Agreement dated 13 September 2007 shall be observed, and the renewal of the Agency Agreement shall be subject to the review of the Audit Committee, when purchasing items from or engaging the services of an Interested Person, two other quotations from third party non-interested persons will be obtained (where available or feasible) for comparison to ensure that the interest of Company and minority Shareholders are not disadvantaged. The purchase price or fee for services shall not be higher than the most competitive price or fee of the other two quotations from third party non-interested persons. In determining the most competitive price or fee, all pertinent factors, including but not limited to quality, delivery time, standard of services, specification compliance, track record, experience and expertise, and where applicable, preferential rates, rebates or discounts accorded for bulk purchase will be taken into consideration.

(c) When chartering vessels to an Interested Person (including without limitation the provision of ship chartering services by the BBR Group (as an entity of the EAR Group) to BRJ (as an Interested Person)), our Group Finance Manager shall take appropriate steps, or procure that appropriate steps are taken, to ensure that the charter rates will commensurate with the prevailing market rates, including adopting measures such as making relevant enquiries with owners of similar vessels. The charter rates payable shall be based on the most competitive market rental rate of similar vessel in terms of capacity and size, based on the results of the relevant enquiries.

(d) When selling vessels to an Interested Person (pursuant to (i) the sale of existing vessels or (ii) the sale and/ or lease back of new vessels), the price of the vessels shall be based on the valuation report provided by an independent third party to ensure that the interests of our Company and minority Shareholders are not disadvantaged. When leasing back vessels, our Group Finance Manager shall take appropriate steps to ensure that the charter rate will be commensurate with the prevailing market rates, including adopting measures such as making relevant enquiries with owners of similar vessels. The charter rates payable shall be based on the most competitive market rental rate of similar vessel in terms of capacity and size, based on the results of the relevant enquiries.

6. **Guidelines and Review Procedures under the IPT General Mandate (Continued)**

6.1 **Review Procedures (Continued)**

(e) For the provision of corporate guarantees to an Interested Person, our Group Finance Manager shall ensure that the corporate guarantees are provided to such Interested Person solely to facilitate the Interested Person to purchase vessels from the EAR Group or its jointly controlled entity partner. At the inception of the corporate guarantee, an annual fee will be levied on and payable by the Interested Person to the entity in the EAR Group providing such corporate guarantee for the duration of the guarantee, and such fee shall be payable at the end of each year based on the outstanding guarantee amount. Such fee payable shall not be lower than the lowest of at least two of the prevailing banker's guarantees rates which the EAR Group obtains from its banks.

(f) In cases where it is not possible to obtain comparable from other unrelated third parties, our Audit Committee will consider whether the pricing of the transaction is in accordance with usual business practices and pricing policies and consistent with the usual margins to be obtained for the same or substantially similar types of transactions to determine whether the relevant transaction is undertaken on an arm's length basis and on normal commercial terms. The Audit Committee will also weigh the benefits of, and rationale for, transacting with the Interested Person to determine whether the price and terms offered are fair and reasonable.

6.2 **Threshold Limits**

In addition, to supplement our internal procedures to ensure that all Interested Person Transactions covered by the IPT General Mandate will be carried out on normal commercial terms and will not be prejudicial to the interests of the EAR Group and the minority Shareholders, the following limits for all Interested Person Transactions will be applied:

In respect of any Interested Person Transaction:

(a) Where an individual transaction, in connection with the provision of ship repair and maintenance services or the sale and/or lease back of vessels (both newly build and reflagged and reflagged vessels) (the "**Big Ticket Transaction**"), is below one point five per cent (1.5%) of the EAR Group's latest audited NTA or in connection with any individual transaction other than a Big Ticket Transaction is below S$200,000, such a transaction shall be reviewed by our Audit Committee within one (1) month from the end of the month in which the transaction was entered into. However, prior to entering into such a transaction, the Group Finance Manager, being the person designated to monitor all Interested Person Transactions, provided he/she is not to be an Interested Person or an Associate of an Interested Person, will ensure that all relevant documents in connection with the transaction are in order. If the Group Finance Manager is an Interested Person or an Associate of an Interested Person, the Finance Manager of the Company will monitor all Interested Person Transactions.

(b) Where an individual transaction, in connection with the Big Ticket Transaction, is equal to or exceeds one point five per cent (1.5%) of the EAR Group's latest audited NTA or in connection with any individual transaction other than a Big Ticket Transaction is S$200,000 or above, such a transaction will be subject to prior approval by our Audit Committee prior to such transaction being entered into.

(c) Where such Interested Person Transaction is in respect of the provision of corporate guarantees by the EAR Group for the purchase of vessels by Interested Persons, the guarantee amount shall be capped at eight per cent (80%) of the aggregate purchase price of the vessels to be purchased from the EAR Group.

6. Guidelines and Review Procedures under the IPT General Mandate (Continued)

6.2 Threshold Limits (Continued)

(d) In the absence of comparable quotes from other unrelated third parties, the Audit Committee would review each transaction in connection with the Big Ticket Transaction that is below one point five per cent (1.5%) of the EAR Group's latest audited NTA or in connection with any individual transaction other than a Big Ticket Transaction that is below S$200,000 within one (1) month from the end of the month in which the transaction was entered into. However, prior to entering into such a transaction, the Group Finance Manager, being the person designated to monitor all Interested Person Transactions, provided he/she is not to be an Interested Person or an Associate of an Interested Person, will, in consultation with the Audit Committee, ensure that the pricing of the transaction is in accordance with the usual business practices and pricing policies and consistent with the usual margins to be obtained for the same or substantially similar types of transactions. If the Group Finance Manager is an Interested Person or an Associate of an Interested Person, the Finance Manager of the Company will monitor all Interested Person Transactions. In the absence of comparable quotes from other unrelated third parties for an individual transaction in connection with a Big Ticket Transaction, with value equals to or exceeds one point five per cent (1.5%) of the EAR Group's latest audited NTA, or in connection with any individual transaction other than a Big Ticket Transaction with value equals to S$200,000 or more, such a transaction will be subject to prior approval by our Audit Committee prior to such transaction being entered into.

6.3 In the event that a member of the Audit Committee is interested in any Interested Person Transaction, he will declare his interest and abstain from any review, deliberation or decision making in respect of that particular transaction.

6.4 Designated persons of the respective companies are required to submit details of all Interested Person Transactions entered into immediately to the Group Finance Manager, including the value of the transactions. As a minimum, a report is to be submitted every quarter. A "Nil" return is expected if there is no interested person transaction. For monitoring purposes, the Group Finance Manager will maintain a register of Interested Person Transactions (the "**IPT Register**"). This IPT Register will be updated quarterly based on submissions by the designated persons. It will record all Interested Person Transactions which are entered into pursuant to the IPT General Mandate (including the basis on which they are entered into) and the approval or review by the Audit Committee.

6.5 The Audit Committee will review all Interested Person Transactions (including those Interested Person Transactions which have a value below S$100,000) recorded in the IPT Register at least quarterly to ensure that they are carried out on normal commercial terms and in accordance with the procedures outlined above. All relevant non-quantitative factors will also be taken into account. Such review includes the examination of the transaction and its supporting documents or such other information deemed necessary by our Audit Committee. Our Audit Committee may request for any additional information pertaining to the transaction under review from independent sources, advisers or valuers as they deem fit.

6.6 Further, our Audit Committee will review the threshold limits (be it in absolute dollar amount or as a percentage of the latest prevailing audited consolidated NTA of the Group) annually to assure that they are not prejudicial to the interests of the Group and the minority Shareholders. Our Audit Committee will also review the reports submitted by the Group Finance Manager on a quarterly basis to ascertain that the guidelines and procedures established to monitor Interested Person Transactions have been complied with and the relevant approvals obtained. In addition, our Audit Committee shall also review from time to time such guidelines and procedures to determine if they are adequate and/or commercially practicable in ensuring that transactions between the EAR Group and the Interested Persons are conducted on normal commercial terms. Pursuant to Rule 920(1) (b)(iv) and (vii) of the Listing Manual, if during its periodic reviews, the Audit Committee believes that the guidelines and procedures as stated above are inappropriate or not sufficient to ensure that Interested Person Transactions will be carried out on an arm's length basis and on normal commercial terms and will not be prejudicial to the interests of our Company and our minority Shareholders, we will seek a fresh mandate from our Shareholders based on new guidelines and procedures. During the period prior to obtaining a fresh mandate from our Shareholders, all transactions with Interested Persons will be subject to prior review and approval by our Audit Committee.

6. Guidelines and Review Procedures under the IPT General Mandate (Continued)

6.7 Our Audit Committee is of the view that the above guidelines and procedures are sufficient to ensure that these Interested Person Transactions will be on an arm's length basis and on normal commercial terms and will not be prejudicial to the interests of our Company and our minority Shareholders.

7. Guidelines and Review Procedures for future Interested Person Transactions other than those covered in the IPT General Mandate

7.1 To ensure that interested person transactions not covered by the IPT General Mandate are undertaken on an arm's length's basis, on normal commercial terms and will not be prejudicial to our Company and minority Shareholders, our Audit Committee will adopt the following procedures when reviewing such interested person transactions:

(a) When selling items or supplying services to an interested person, the price and terms of other successful sales of a similar nature to third party non-interested persons will be used in comparison to ensure that the interests of our Company and minority Shareholders are not disadvantaged. The sale or fee for the supply of services shall not be lower than the lowest sale or fee of the latest two successful transactions with third party non-interested persons.

(b) When purchasing items from or engaging the services of an interested person, two other quotations from third party non-interested persons will be obtained (where available or feasible) for comparison to ensure that the interest of our Company and minority Shareholders are not disadvantaged. The purchase price or fee for services shall not be higher than the most competitive price or fee of the other two quotations from third party non-interested persons. In determining the most competitive price or fee, all pertinent factors, including but not limited to quality, delivery time, standard of services, specification compliance, track record, experience and expertise, and where applicable, preferential rates, rebates or discounts accorded for bulk purchase will be taken into consideration.

7.2 In the event that it is not possible for such quotations to be obtained, our Audit Committee will determine whether the prices and terms offered by or to the interested persons are fair and reasonable and the terms of supply from or to the interested persons are made on normal commercial terms and are not prejudicial to the interests of our Company and our minority Shareholders.

7.3 In addition, any interested person transaction of a value equal to or exceeding three per cent (3%) of the EAR Group's latest audited NTA must be approved by our Audit Committee prior to its entry and any interested person transaction of a value equal to or exceeding five per cent (5%) of the EAR Group's latest audited NTA is subject to the approval of Shareholders at general meetings prior to its entry.

7.4 The designated persons of the respective companies, who are required to submit details of all interested person transactions to the Group Finance Manager, are to submit similar details to the Group Finance Manager in respect of all interested person transactions not covered under the IPT General Mandate. The Group Finance Manager will similarly maintain a register similar to the IPT Register in respect of all interested person transactions other than those covered under the IPT General Mandate.

7.5 Our Audit Committee will review all such interested person transactions, if any, on a quarterly basis through reporting by the Group Finance Manager to ensure that they are carried out at arm's length and in accordance with the procedures outlined above. It will take into account all relevant non-quantitative factors. In the event that a member of the Audit Committee is interested in any such interested person transaction, he will abstain from reviewing that particular transaction. Furthermore, if during these periodic reviews, the Audit Committee believes that the guidelines and procedures as stated above are not sufficient to ensure that interests of our Company and minority Shareholders are not prejudiced, we will adopt new guidelines and procedures.

7. Guidelines and Review Procedures for future Interested Person Transactions other than those covered in the IPT General Mandate (Continued)

In addition, our Audit Committee will include the review of such interested person transactions as part of its standard procedures while examining the adequacy of our internal controls. Our Board will also ensure that all disclosure, approval and other requirements on interested person transactions, including those required by prevailing legislation, the Listing Manual and accounting standards, are complied with. In addition, such transactions will also be subject to Shareholders' approval if deemed necessary by the Listing Manual.

8. Validity Period of the IPT General Mandate

The IPT General Mandate will take effect from the passing of the ordinary resolution relating thereto, and will (unless revoked or varied by the Company in general meeting) continue in force until the date on which the next annual general meeting of the Company is held or is required by law to be held. Approval from Shareholders will be sought for the renewal of the IPT General Mandate at the next annual general meeting and at each subsequent annual general meeting subject to satisfactory review by the Audit Committee of its continued application to the transactions with Interested Persons.

9. Disclosure of Interested Person Transactions pursuant to the IPT General Mandate

The Company will announce the aggregate value of transactions conducted with Interested Persons pursuant to the IPT General Mandate for the quarterly financial periods which the Company is required to report on pursuant to the Listing Manual and within the time required for the announcement of such report.

The Company is required, in accordance with the requirement of Chapter 9 of the Listing Manual, to disclose in our annual report the aggregate value of transactions conducted pursuant to the IPT General Mandate during the financial year, as well as in the annual reports for the subsequent financial years during which the IPT General Mandate is in force.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Twelfth Annual General Meeting of the Company will be held at 87 Science Park Drive Oasis Singapore Science Park I Singapore 118260 (Palm Room) on Tuesday, 27 February 2018 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 2017 together with the Directors' Statement and the Independent Auditor's Report thereon. **(Resolution 1)**

2. To approve the payment of Directors' Fees of S$213,400 for the financial year ending 30 September 2018. (2017: S$180,000) **(Resolution 2)**

3. To re-elect the following Directors who are retiring by rotation pursuant to Regulation 103 of the Constitution of the Company:

   (i) Ms Lie Ly @Liely Lee, **(Resolution 3)**

   (ii) Mr Peter Sim Swee Yam. **(Resolution 4)**

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

AS SPECIAL BUSINESS

To consider, and if thought fit, to pass the following Ordinary Resolutions (with or without any modifications):

5. **Authority to allot and issue shares and/or convertible securities** **(Resolution 6)**

   "That pursuant to Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited, authority be and is hereby given to the Directors of the Company to issue:-

   (i) shares in the capital of the Company whether by way of rights, bonus or otherwise or;

   (ii) convertible securities; or

   (iii) additional convertible securities arising from adjustments made to the number of convertible securities previously issued in the event of rights, bonus or capitalisation issues; or

   (iv) shares arising from the conversion of convertible securities,

   at any time and upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit provided that:-

   (i) the aggregate number of shares and convertible securities that may be issued shall not be more than 50% of the issued shares in the capital of the Company or such other limit as may be prescribed by the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") as at the date the general mandate is passed;

   (ii) the aggregate number of shares and convertible securities to be issued other than on a pro-rata basis to existing shareholders shall not be more than 20% of the issued shares in the capital of the Company or such other limit as may be prescribed by the SGX-ST as at the date the general mandate is passed;

(iii) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraphs (i) and (ii) above, the percentage of issued shares shall be calculated based on the issued shares in the capital of the Company as at the date the general mandate is passed after adjusting for new shares arising from the conversion or exercise of any convertible securities or employee stock options in issue as at the date the general mandate is passed and any subsequent consolidation or subdivision of the Company's shares; and

(iv) unless earlier revoked or varied by the Company in general meeting, such authority shall continue in force until the next Annual General Meeting or the date by which the next Annual General Meeting is required by law to be held, whichever is earlier.

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

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 2017; 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.

7. Authority to allot and issue shares under the Marco Polo Marine Ltd Employee Share Option Scheme **(Resolution 8)**

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.

8. Proposed Renewal of the Share Buyback Mandate **(Resolution 9)**

That:

(a) pursuant to the Companies Act, Chapter 50 and the Listing Manual of the SGX, approval be and is hereby given for the renewal of the Share Buyback Mandate (as hereinafter defined) and the Directors of the Company be and are hereby authorised to exercise all the powers of the Company to purchase or otherwise acquire the issued ordinary shares fully paid in the capital of the Company (the "Shares") not exceeding in aggregate the Prescribed Limit (as hereafter defined) during the Relevant Period, at such price(s) as may be determined by the Directors of the Company from time to time up to the Maximum Price (as hereafter defined), whether by way of:

(i) on-market purchases ("**Market Purchase**"), transacted on the SGX-ST through its ready market or, as the case may be, any other stock exchange on which the Shares may for the time being be listed and quoted, through one or more duly licensed stockbrokers appointed by the Company for the purpose; and/or

(ii) off-market purchases ("**Off-Market Purchase**") (if effected otherwise than on the SGX-ST) in accordance with an equal access scheme(s) as may be determined or formulated by the Directors as they may consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act, Chapter 50 and the Listing Manual;

(b) any share that is purchased or otherwise acquired by the Company pursuant to the proposed Share Buyback Mandate shall, at the discretion of the Directors, either be cancelled or held in treasury and dealt with in accordance with the Companies Act, Chapter 50;

(c) unless varied or revoked by the Company in general meeting, the authority conferred on the Directors of the Company pursuant to the Share Buyback Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the passing of this Resolution and expiring on the earlier of:

(i) the conclusion of the next Annual General Meeting of the Company or the date by which such Annual General Meeting is required by law to be held;

(ii) the date on which the purchases or acquisitions of Shares by the Company pursuant to the Share Buyback Mandate are carried out to the full extent mandated; or

(iii) the date on which the authority contained in the Share Buyback Mandate is varied or revoked by ordinary resolution of the Company in general meeting;

(d) in this Resolution:

"**Prescribed Limit**" means that number of issued Shares representing 10% of the issued ordinary share capital of the Company as at the date of passing of this Resolution unless the Company has effected a reduction of its share capital in accordance with the applicable provisions of the Companies Act, at any time during the Relevant Period or within any one financial year of the Company, whichever is the earlier, in which event the issued ordinary share capital of the Company shall be taken to be the amount of the issued ordinary share capital of the Company as altered;

"**Relevant Period**" means the period commencing from the date on which the Annual General Meeting at which this Resolution is passed is held and expiring on the date the next Annual General Meeting is held or is required by law or the regulations of the Company's Constitution to be held, whichever is the earlier, after the date of this Resolution; and

"**Maximum Price**" in relation to a Share to be purchased, means an amount (excluding brokerage, stamp duties, applicable goods and services tax and other related expenses) not exceeding:–

(i) in the case of a Market Purchase: 105% of the Average Closing Price;

(ii) in the case of an Off-Market Purchase: 120% of the Highest Last Dealt Price, where:

"**Average Closing Price**" means the average of the closing market prices of a Share over the last five market days, on which transactions in the Shares were recorded, preceding the day of the Market Purchase, and deemed to be adjusted for any corporate action that occurs after the relevant five-day period;

"**Highest Last Dealt Price**" means the highest price transacted for a Share as recorded on the market day on which there were trades in the Shares immediately preceding the day of the making of the offer pursuant to the Off-Market Purchase; and

"**day of the making of the offer**" means the day on which the Company announces its intention to make an offer for the purchase of Shares from shareholders of the Company stating the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase; and

(e) any of the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they may consider expedient or necessary to give effect to the transactions contemplated by this Resolution.

9. Proposed Renewal of the IPT General Mandate **(Resolution 10)**

That:

(a) approval be and is hereby given for the renewal of the mandate for the purpose of Chapter 9 of the Listing Manual of the SGX, for the Company, its subsidiaries and its associated companies, or any of them, to enter into any of the transactions falling within the types of Interested Person Transactions, as set out in Annex to the Appendix dated 12 February 2018 to the Annual Report (the "**Appendix**"), with any party who falls within the classes of Interested Persons as described in the Annex to the Appendix and that such approval shall, unless revoked or varied by the Company in general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company;

(b) the Audit Committee of the Company be and is hereby authorised to take such action as it deems proper in respect of procedures and to implement such procedures as may be necessary to take into consideration any amendment to Chapter 9 of the Listing Manual which may be prescribed by the SGX-ST from time to time;

(c) any of the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary or in the best interest of the Company to give effect to the transactions contemplated by this Resolution; and

(d) such approval shall, unless earlier revoked or varied by the Company in general meeting, continue to be in force until the next Annual General Meeting of the Company is held or is required by law to be held, whichever is earlier.

By Order of the Board

Lawrence Kwan
Secretary

Singapore, 12 February 2018

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 including the additional appointed ones with their respective appointments to take effect from 1 March 2018.

Resolution 3. Ms Lie Ly @Liely Lee will, upon re-election as a Director of the Company, continue to serve as Executive Director of the Group.

Resolution 4. Mr Peter Sim Swee Yam will, upon re-election as a Director of the Company, continue to serve as Independent Director, Chairman of the Nominating Committee, and Member of Remuneration Committee and Audit Committee. Mr Peter Sim Swee Yam is considered independent for the purposes of Rule 704(8) of the Listing Manual of the SGX-ST.

Resolution 5. 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 6. Is to empower the Directors of the Company to issue shares and convertible securities in the Company up to an amount not exceeding in aggregate 50% of the issued share capital (excluding treasury shares) of the Company of which the total number of shares and convertible securities issued other than on a pro-rata basis to existing shareholders shall not exceed 20% of the issued share capital (excluding treasury shares) of the Company at the time that Resolution 6 is passed, for such purposes as they consider would be in the interests of the Company. Rule 806(3) of the Listing Manual of Singapore Exchange Securities Trading Limited currently provides that the issued share capital (excluding treasury shares) of the Company for this purpose shall be the issued share capital (excluding treasury shares) at the time this resolution is passed (after adjusting for new shares arising from the conversion of convertible securities or share options on issue at the time this resolution is passed and any subsequent consolidation or subdivision of the Company's shares). This authority will, unless revoked or varied at a general meeting, expire at the next Annual General Meeting of the Company.

Resolution 7. 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 2017; 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 2017, the total number of shares, which may be issued or issuable in respect of such Awards, is 11,779,201 shares.

Notice of Annual General Meeting

Resolution 8. If passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares in the Company pursuant to the exercise of options granted or to be granted under the ESOS Scheme up to a number not exceeding in aggregate, when added to the number of shares issued and/or issuable under other share-based incentive schemes of the Company, fifteen per centum (15%) of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time.

Resolution 10. If passed, renews the General Mandate authorising the Directors of the Company to enter into certain interested person transactions with persons who are considered "interested persons" (as defined in Chapter 9 of the Listing Manual of the Singapore Exchange Securities Trading Limited).

Notes:

1. A Member (other than a Relevant Intermediary*) entitled to attend and vote at the Annual General Meeting may appoint not more than two (2) proxies to attend and vote in his/her stead. A Member which is a corporation is entitled to appoint its authorised representative or proxy to vote on its behalf. A proxy need not be a Member.

2. Where a Member (other than a Relevant Intermediary*) appoints two (2) proxies, he or she shall specify the proportion of his or her shareholding to be represented by each proxy in the instrument appointing the proxies.

3. A Relevant Intermediary* may appoint more than two (2) proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number and class of shares shall be specified).

4. If a proxy is to be appointed, the instrument appointing a proxy must be duly deposited at the registered office of the Company's share registrar, B.A.C.S. Private Limited, at 8 Robinson Road, #03-OO ASO Building, Singapore 048544, not later than 48 hours before the time appointed for the holding of the Annual General Meeting.

5. The instrument appointing a proxy must be signed by the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy is executed by a corporation, it must be executed either under its common seal or under the hand of any officer or attorney duly authorised.

6. A Depositor's name must appear on the Depository Register maintained by The Central Depository (Pte) Limited as at 72 hours before the time fixed for holding the Annual General Meeting in order for the Depositor to be entitled to attend and vote at the Annual General Meeting.

* A Relevant Intermediary is:

a) a banking corporation licensed under the Banking Act (Chapter 19) of Singapore or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or

b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Chapter 289) of Singapore and who holds shares in that capacity; or

c) the Central Provident Fund Board established by the Central Provident Fund Act (Chapter 36) of Singapore, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing and administration by the Company (or its agents or service providers) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/ or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents or service providers), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy(ies) and/ or representative(s) for the Pulposes (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.

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 12 February 2018.

*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 87 Science Park Drive Oasis Singapore Science Park I Singapore 118260 (Palm Room) on Tuesday, 27 February 2018 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 2017 together with the Directors' Statement and the Independent Auditor's Report thereon.		
2.	To approve the payment of Directors' Fees of S$213,400 for the financial year ending 30 September 2018. (2017: S$180,000)		
3.	To re-elect Ms Lie Ly @Liely Lee, a Director retiring by rotation pursuant to Regulation 103 of the Constitution of the Company.		
4.	To re-elect Mr Peter Sim Swee Yam, a Director retiring by rotation pursuant to Regulation 103 of the Constitution of the Company.		
5.	To re-appoint Mazars LLP as Independent Auditor and to authorise the Directors to fix their remuneration.		
	Special Business		
6.	To authorise Directors to allot and issue shares and/or convertible securities pursuant to Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited (the "SGX-ST")		
7.	To authorise Directors to allot and issue shares under the Marco Polo Marine Ltd Restricted Share Scheme and Performance Share Scheme.		
8.	To authorise Directors to allot and issue shares under the Marco Polo Marine Ltd Employee Share Option Scheme.		
9.	To approve the Proposed Renewal of the Share Buyback Mandate.		
10.	To approve the Proposed Renewal of the IPT General Mandate.		

(Voting will be conducted by poll. If you wish to vote all your shares "For" or "Against" the relevant resolution, please indicate with a "X" in the relevant box provided. Alternatively, if you wish to exercise your votes both "For" and "Against" the relevant resolution, please indicate the relevant number of shares in the relevant boxes provided above. In the absence of specific directions, the proxy/proxies will vote or abstain as he/she/they may think fit, as he/she/they will on any other matter arising at the AGM.)

Note: Please note that the short descriptions given above of the Ordinary Resolutions to be passed do not in any way whatsoever reflect the intent and purpose of the Ordinary Resolutions. The short descriptions have been inserted for convenience only. Shareholders are encouraged to refer to the Notice of AGM for the full purpose and intent of the Ordinary Resolutions to be passed.

Dated this ________ day of ________________ 2018

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 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.