



Securities Investors Association (Singapore)

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Issuer: Marco Polo Marine Ltd

Security: Marco Polo Marine Ltd

Meeting details:

Date: 28 January 2019

Time: 10.30 a.m.

Venue: 66 Kallang Pudding Road #07-01 Singapore 349324

Company Description

Marco Polo Marine Ltd, an investment holding company, operates as an integrated marine logistic company primarily in Singapore, Indonesia, Malaysia, and Australia. It operates through Ship Chartering Services; and Ship Building and Repair Services segments. The company manages a fleet of tugs and barges, providing solutions for bulk handling and transportation of coal, steel scrap, iron ores, sand, aggregates, and other commodities, as well as chartering and transshipment services to the mining, civil and offshore construction, infrastructure, land reclamation, shipping, and commodity trading industries. It also offers services to the offshore oil and gas sector through a fleet of 13 OSVs, including 1 AHTS and 1 maintenance work vessel. In addition, the company provides ship building; and ship maintenance, repair, dry-docking, and conversion services for commercial and offshore vessels, as well as oil and gas fabrications, and offshore fabrication and installation works. The company was founded in 1991 and is based in Singapore.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=5LY)

1. As noted in the Chairman's statement, the group successfully completed the refinancing and restructuring exercise, entering FY2019 with a net asset position of \$113.2 million (compared to a net liability position of \$(152.6) million as at 30 September 2017). Based on the core business (adjusting for the one-off gain from the derecognition of debts), the group's adjusted total loss would have been \$10.9 million for FY2018.

The group secured \$60 million in fresh capital from 9 strategic investors as part of the group's recapitalisation efforts.

The board has been further strengthened with the addition of new directors to the board.

- (i) Would the board help shareholders understand how the current board composition is appropriate and "fit for purpose" to guide the group through the prolonged and distressed offshore and marine (O&M) market?**
- (ii) Specifically, what is the experience of the non-executive directors in the O&M sector? How does the board ensure that the directors, as a group, possess the appropriate balance and mix of skills, knowledge, experience, to constructively challenge and help management to develop the group's strategy and to review the performance of the management?**
- (iii) In addition, can board, especially the nominating committee, help shareholders understand the depth of the group's senior management team (including executive directors)? What are the succession plans for executive directors, CEO and key management personnel? It is observed that there are no changes to the team of executive directors (including the CEO) and the executive officers (shipyard division, offshore division, shipyard operations and CFO) since FY2016 when the group began its restructuring.**

2. Would the board/management provide shareholders with better clarity on the following operational and financial matters?

- (i) With a newly constituted board and having completed the restructuring, can the company update shareholders on the strategic direction of the shipping division (comprising offshore support and marine logistic services) and the shipyard division?**
- (ii) How is the group adapting to the prolonged downturn given that oil prices have once again slipped to recent lows and that any recovery might be further delayed?**
- (iii) Despite revenue dropping by 31% to \$26.6 million in FY2018, administrative expenses increased from \$(5.7) million in FY2017 to \$(6.4) million in FY2018. Can management elaborate further on the increase in administrative expenses and provide a breakdown of the expenses? What are management's pro-active efforts to improve the cost structure?**

- (iv) Of the \$60 million raised from the 9 strategic investors, \$45 million was set aside to settle the cash component of the debt restructuring exercise and \$15 million was to be used as working capital. As shown in the consolidated statement of cash flow (page 43), net cash used in operating activities was \$(4.2) million in FY2018. Cash and cash equivalents at the end of the financial year amounted to \$17.9 million. **How can the group improve its operating cash flow?**

3. Independent directors, Mr Lim Han Boon, Mr Sim Swee Yam Peter and Mr Lee Kiam Hwee Kelvin, were first appointed to the board on 13 September 2007, 13 September 2007 and 3 July 2009 respectively. The directors have each served on the board for more than 11 years, more than 11 years and more than 9 years respectively.

In August 2018, the Monetary Authority of Singapore issued a revised Code of Corporate Governance ("2018 CG Code"). As a consequence of the revised 2018 CG Code, the Singapore Exchange has made amendments to its Listing Rules which came into effect on 1 January 2019, except for the rules on the 9-year tenure for independent directors and the requirement for independent directors to comprise one-third of the board which come into effect on 1 January 2022. Under the revised Listing Rules, the term of an independent director will be limited to nine years after which the long tenured directors will be subject to a two-tier vote by shareholders.

- (i) **Has the nominating committee reviewed the overall desired competency matrix of the board and identified any gaps in skills or competencies that could be addressed in future director appointments?**
- (ii) **What is the search and nominating process for directors, especially independent directors?**
- (iii) **Given that independent directors do not made up at least half the board (as recommended by the 2012 Code of Corporate Governance as the chairman is not independent), what are the company's near term plans to refresh the membership of the board to comply with the new 2018 Code in good time? This would avoid undue disruption and maintain institutional knowledge and continuity in the board.**
- (iv) Ms Liely Lee resigned as an executive director and was appointed as an alternate director to Mr Lee Wan Tang on 1 March 2018. Mr Lee and Ms Lee both attended all four board meetings held in the financial year. **Can the board help shareholders understand the roles and responsibilities of an "alternate director"?**

A copy of the questions for the Annual Report for the financial year ended 30 September 2016 could be found here:

<https://sias.org.sg/qa-on-annual-reports/?company=Marco%20Polo%20Marine%20Ltd>

The company's response could be found here: -----