



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

PROPOSED INVESTMENT BY NAM CHEONG LIMITED IN PT PELAYARAN NASIONAL BINA BUANA RAYA TBK, A SUBSIDIARY OF MARCO POLO MARINE LIMITED

1. INTRODUCTION

The Board of Directors (the “**Board**”) of Marco Polo Marine Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) wishes to announce that the Company has entered into a binding heads of agreement dated 26 September 2014 (the “**HOA**”) with Nam Cheong Limited (“**Nam Cheong**”, and together with its subsidiaries, the “**Nam Cheong Group**”) (each of the Company and Nam Cheong hereafter referred to as a “**Party**” and, collectively, the “**Parties**”) in relation to the proposed investment by Nam Cheong in the Company’s indirect subsidiary, PT Pelayaran Nasional Bina Buana Raya Tbk (“**BBR**”) (the “**Proposed Investment**”).

BBR currently has an issued and paid-up capital of US\$41,390,852 comprising approximately 3.767 billion shares (“**Shares**”). In connection with the Proposed Investment, the Company shall procure BBR to undertake a rights issue (the “**Rights Issue**”) of up to 1.600 billion new shares (the “**New Shares**” and each, a “**New Share**”) at an issue price of IDR230 per New Share (the “**Issue Price**”). In this regard:

- (a) Nam Cheong shall undertake to subscribe, directly or through its nominee(s), for the New Shares which remain unsubscribed by the existing shareholders of BBR pursuant to the Rights Issue and on the same terms and conditions; and
- (b) the Company shall undertake not to exercise its rights (through certain of its subsidiaries) to subscribe for the New Shares under the Rights Issue and, to the extent legally permissible, shall assign or renounce its entitlement under the Rights Issue in favour of Nam Cheong or its nominee(s).

Following the completion of the Rights Issue and assuming none of the existing shareholders of BBR subscribe for the New Shares, it is envisaged that Nam Cheong will hold approximately 30% of the enlarged share capital of BBR.

The Company believes that the Proposed Investment will allow the Group to tap on Nam Cheong as an additional reputable source for vessel acquisitions, in light of Nam Cheong’s expertise and track record in the building of certain Offshore Support Vessels (OSVs). In addition, the Proposed Investment will facilitate the alignment of interests between the Parties with regard to the chartering of vessels acquired or owned by BBR. The Proposed Investment will also result in the strengthening of the financial position of BBR to support fleet expansion and working capital requirements, as well as the enhancement of the growth prospects of the Group by



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allowing the Group to compete more effectively on the basis of increased flexibility on time-to-market periods in respect of its provision of vessels to customers and the ability to leverage off Nam Cheong's existing network of customers.

The Issue Price was determined on a willing-buyer, willing-seller basis, taking into consideration (i) as announced by BBR on 24 July 2014, the unaudited consolidated net asset value ("**NAV**") per share of BBR and its subsidiary (collectively the "**BBR Group**") of approximately IDR 240 as at 30 June 2014, based on the BBR Group's consolidated NAV of approximately US\$75.5 million (or approximately IDR906.2 billion based on an exchange rate of approximately US\$1.00 : IDR12,000 as at 25 September 2014), as well as (ii) the initial listing price of BBR on the Bursa Efek Indonesia (Indonesia Stock Exchange) (the "**IDX**") on 9 January 2013 of IDR230 per share.

2. INFORMATION ON BBR

BBR is an indirect subsidiary of the Company. As at the date of this announcement, the Company holds a deemed interest of 49.6% in BBR. The Company has de facto control over BBR's operations as its single largest shareholder, as well as through majority representation by its nominee directors on the board of directors of BBR. BBR was established in 1998 and has been listed on the IDX since 9 January 2013.

The BBR Group is primarily engaged in the business of ship owning and chartering, comprising two divisions as follows:

- (a) Under its Tugs and Barges Division, the BBR Group owns and manages a fleet of tugboats and barges. The BBR Group provides voyage and time charters of vessels for bulk handling, transportation and transshipment solutions.
- (b) Under its Offshore Marine Division, the BBR Group owns a fleet of OSVs, comprising mainly Anchor Handling Tug Supply (AHTS) vessels.

3. INFORMATION ON NAM CHEONG

The Nam Cheong Group is a Malaysian-based global offshore marine group specialising in the building of OSVs, and headquartered in Kuala Lumpur, Malaysia. Nam Cheong has been listed on the Mainboard of the SGX-ST since 27 May 2011.

Nam Cheong owns and operates one of the largest shipbuilding yards for OSVs in Malaysia and focuses on the construction and engineering of complex, sophisticated, environmentally friendly and quality OSVs that are equipped with the latest technology.



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Nam Cheong's shipbuilding business is complemented by its vessel chartering operations comprising a fleet of fifteen vessels, which are chartered out by way of bareboat or time charters for recurring income.

4. CONDITIONS TO THE PROPOSED INVESTMENT

The Proposed Investment shall be subject, *inter alia*, to:

- (a) where necessary under applicable law, (i) the approval of the shareholders of the Company ("**Shareholders**") as may be required under the listing rules of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), (ii) the approval of the shareholders of BBR, and (iii) the approval, as the case may be, of the IDX, the Badan Pengawas Pasar Modal Dan Lembaga Keuangan (Indonesian Capital Market and Financial Institutions Supervision Agency), the Otoritas Jasa Keuangan (Indonesia Financial Services Authority) and/or the Kustodian Sentral Efek Indonesia (Indonesian Central Securities Depository) for the Rights Issue including the issuance and listing of the New Shares;
- (b) all other approvals, waivers, notifications, authorization and consents from relevant domestic and/or foreign authorities having jurisdiction over the Rights Issue or any third parties required under applicable laws or contractual arrangements to give effect to the transactions contemplated under the HOA being obtained; and
- (c) the representations, warranties and undertakings as expressly given by each Party in the HOA remaining accurate and true.

5. KEY TERMS OF THE PROPOSED INVESTMENT

The terms set out in the HOA, though binding, are not exhaustive. Where desired by any of the Parties, it has been agreed that the Parties will discuss and negotiate any further terms and conditions to be included in further agreements, save that any such further terms and conditions shall be aligned with the terms and set out in the HOA.

5.1 Total Amount of Proceeds and Use of Proceeds

The gross proceeds to be raised pursuant to the Rights Issue will amount to approximately US\$30.7 million (based on an exchange rate of approximately US\$1.00 : IDR12,000 as at 25 September 2014). The proceeds will be used to fund fleet expansion as well as working capital requirements of BBR from time to time.



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5.2 Operations of the BBR Group following the Completion of the Proposed Investment

In relation to the business of BBR, each Party shall use reasonable commercial efforts (to the extent permitted by law and to the extent of not constituting each other as a party acting in concert with the other under the applicable laws of Indonesia), to achieve the following:

- (a) to combine the Parties' competency, efforts, expertise and strengths (including tapping on the connections and networks) to achieve more rapid expansion and growth and enhance shareholder returns for BBR; and
- (b) to jointly manage and operate the business of BBR so as to derive commercial, financial and other benefits for the shareholders of BBR on an equitable and fair basis.

In addition, to the extent permitted under applicable laws (including the listing rules and regulations of the SGX-ST and the IDX), the Parties have agreed as follows:

- (a) in respect of the purchase or leasing of vessels required for its business and operations, BBR shall (to the extent available) source for such vessels from the shipyards owned or operated by, or engaged to build such vessels on behalf of (as the case may be), the Parties and/or their respective affiliates (including without limitation their subsidiaries and other related companies), with the total orders in value for such vessels to be equally split between (i) the shipyards owned or operated by the Company and its aforesaid affiliates and (ii) the shipyards owned or operated by, or engaged to build such vessels on behalf of, Nam Cheong and its aforesaid affiliates;
- (b) in respect of the net proceeds arising from the Rights Issue that are made available to fund fleet expansion (less expenses incurred in connection with the Rights Issue), such net proceeds shall (as far as practicable and economically non-detrimental to BBR) first be used to fund the equity portion of the financing for the purchase of (i) five vessels (in aggregate valued at US\$85 million) from Nam Cheong and its above-mentioned affiliates (or shipyards engaged by Nam Cheong), and (ii) three vessels (in aggregate valued at US\$85 million) from MPM or its affiliates; with the balance, if any, to be used to fund the working capital of BBR; and
- (c) in respect of any future capital expenditure that may be required for BBR's purchase of vessels from either of the Parties and/or their respective affiliates (including without limitation their subsidiaries and other related companies), such capital expenditure shall, for as long as Nam Cheong is entitled to



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nominate a representative to the board of directors of BBR (the “**BOD**”), be subject to the joint agreement of the Parties, with consent from either Party not to be unreasonably withheld, taking into the consideration of the interest of the Company, including but not limited to the terms of the purchase of such vessels (including the pricing) which shall be on arm’s length basis with reference to verifiable third party valuation or market transactions.

5.3 Composition of the Board of Directors and Board of Commissioners

Following the completion of the Rights Issue and for as long as Nam Cheong remains a shareholder of BBR holding not less than 20% shareholding interest in BBR, the constitution of the BOD and the board of commissioners (“**BOC**”) of BBR shall be as follows:

- (a) The members of the BOD shall be appointed as follows:
 - (i) one executive who is non-affiliated to the Parties shall be appointed by BBR to the BOD as director and shall hold the position of President Director;
 - (ii) two persons nominated by the Company shall be appointed by BBR to the BOD as directors;
 - (iii) one person nominated by Nam Cheong or its nominee(s) shall be appointed by BBR to the BOD as director; and
 - (iv) the one existing independent director (in respect of which recommendation of a person for this role shall at all times remain at the discretion of MPM).

- (b) The members of the BOC shall be appointed as follows:
 - (i) two persons nominated by Mr Lee Wan Tang shall be appointed by BBR to the BOC as commissioners, one of whom shall hold the position of President Commissioner;
 - (ii) one person nominated by Nam Cheong or its nominee(s) shall be appointed by BBR to the BOC as commissioner; and
 - (iii) the two existing independent commissioners (in respect of which recommendation of these persons for this role shall at all times remain at the discretion of MPM).



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6. RULE 805(2) OF THE SGX-ST LISTING MANUAL

The SGX-ST Listing Manual defines a “principal subsidiary” as a subsidiary whose latest audited consolidated pre-tax profits (excluding the minority interest relating to that subsidiary) as compared with the latest audited consolidated pre-tax profits of the group (excluding the minority interest relating to that subsidiary) accounts for 20% or more of such pre-tax profits of the group. In determining profits, exceptional and extraordinary items are to be excluded.

Based on the above definition, BBR is not a principal subsidiary of the Company as defined under the SGX-ST Listing Manual. As such, the prior approval of Shareholders under Rule 805(2) will not be required to effect the completion of the Rights Issue.

7. FINANCIAL EFFECTS OF THE PROPOSED INVESTMENT

The pro-forma financial effects of the Proposed Investment, based on the audited consolidated financial statements of the Group for FY2013 and assuming a dilution of 14.8% of the Company’s equity interest in BBR, are set out below. The pro-forma financial effects are presented for illustration purposes only, and are not intended to reflect the actual future financial situation of the Company after completion of the Proposed Investment.

7.1 Effect on earnings per share of the Group (“EPS”)

Assuming that the Proposed Investment had been completed on 1 October 2012, the effect of the Proposed Investment on the Group’s EPS for FY2013 would have been:

	Before the Proposed Investment (Singapore cents)	After the Proposed Investment, assuming gross proceeds of US\$30.7 million (Singapore cents)
Earnings / (Loss) per share ⁽¹⁾	6.6	6.3

Note:

(1) Based on the weighted average number of shares of the Company of 340,750,000 for FY2013.



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7.2 Net tangible assets (“NTA”) per share of the Group

Assuming that the Proposed Investment had been completed on 30 September 2013, the effect of the Proposed Investment on the Group’s NTA per share for FY2013 would have been:

	Before the Proposed Investment (Singapore cents)	After the Proposed Investment, assuming gross proceeds of US\$30.7 million (Singapore cents)
NTA per share ⁽¹⁾	46.3	45.9

Note:

(1) Based on 340,750,000 shares of the Company as at 30 September 2013.

8. MISCELLANEOUS

Save as disclosed above and other than through their respective shareholding interests (if any) in the Company, none of the directors or substantial shareholders of the Company has any interest, directly or indirectly, in the above mentioned transaction.

No person is proposed to be appointed as a Director of the Company in connection with the Proposed Investment. Accordingly, no service contract is proposed to be entered into between the Company and any such person.

A copy of the HOA will be available for inspection by shareholders of the Company during normal business hours at the registered address of the Company at 66 Kallang Pudding Road, #05-01 Hor Kew Business Centre, Singapore 349324, for a period of three months from the date of this announcement.

Further announcements on this matter will be made in due course to provide shareholders with an update on the Proposed Investment as and when appropriate.

BY ORDER OF THE BOARD

Sean Lee Yun Feng
Chief Executive Officer
29 September 2014