

PENGUIN INTERNATIONAL LIMITED



ANNUAL REPORT 2022

PENGUIN



FORTIFYING
VALUE



02 **STANDING STRONG**



04 **STAYING AHEAD**



06 **PURSUING GROWTH**

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OUR VALUES

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THE FUTURE IS



STANDING STRONG

Antarctic Penguins are adaptable to the harshest environmental conditions – extremely frigid temperatures (as low as minus 50 degrees Celsius) and ferocious wind gusts (exceeding 200 kilometres per hour). Despite the harsh surroundings, penguins have risen above their circumstances and learnt to stand strong and thrive amidst nature's wildest ravages.

The penguin's quiet stoicism in the face of adversity is a story that continues to inspire us today. Over the years, the management, staff, workers and crew of Penguin International Limited have come face to face with numerous challenges that rival the cold winds bearing down on the Antarctic Penguins. Like the penguins, we stood strong and overcame every challenge with courage, fortitude and ingenuity.





STAYING AHEAD

In the water, penguins are able to dive deeper and adapt to crushing water pressures much better than any other aquatic bird. This innate skill has enabled penguins to exploit food sources well beyond the capabilities of their competitors.

Similarly, Penguin International Limited's integrated capabilities as a designer-builder-owner-operator have enabled us to capture new opportunities amidst fierce competition and limited resources. We are committed wholeheartedly to decarbonising our own fleet and our third-party newbuilds. We will strive to maintain our lead after becoming Singapore's first builder-owner-operator of hybrid-electric and pure electric seagoing ships.

PURSUIING GROWTH

Penguins are excellent navigators – Emperor Penguins have been known to walk hundreds of kilometres in search of food, and yet be able to find their way back to their colony months later. Their built-in navigation system enables them to instinctively know where they have been and where they are heading in a featureless landscape of ice and snow.

The management, staff, workers and crew of Penguin International Limited are committed to developing new high-speed craft designs and applications, with a focus on low-to-zero-emission vessels. We avoid getting “lost” by staying true to our core values and capabilities.



WELCOME TO THE HOME OF FLEX



Penguin's newly developed shipbuilding and repair hub at 21 Tuas Road in Singapore.

Penguin is a Singaporean hometown, publicly listed designer, builder, owner and operator of high-speed aluminium craft, ranging from standardised stock vessels to complex bespoke designs.

As designers and builders, we have delivered more than 200 aluminium vessels to ship owners around the world, including over 150 of our proprietary-designed Flex crewboats and Flex Fighter security boats.

As owners and operators, we manage our own fleet of crewboats, passenger ferries and workboats that serve charterers around the world. Our vessels are jointly developed by our integrated in-house shipbuilding and ship management teams in Singapore, backed by more than two decades of experience. We undertake a variety of build-for-stock and build-to-order projects, including fire fighting search-and-rescue vessels, patrol boats, security vessels, offshore crewboats, windfarm crew transfer vessels and passenger ferries. Whether you are a ship owner or a charterer, you will enjoy peace of mind with the Penguin brand, which stands for integrity, professionalism and mutual respect.



Penguin's PT Kim Seah Shipyard Indonesia in Batam: One of the world's largest dedicated aluminium shipbuilders.



Penguin's best seller in Africa: The Flex Fighter armoured multi-role security boat.

**GO AHEAD.
FLEX YOUR FLEET!**

For more information on sales and charters, please visit www.penguin.com.sg or email psa@penguin.com.sg (for sales) and enquiries@pelican-offshore.com (for charters).

THE FLEX FAMILY

OUR RANGE OF HIGH-SPEED COMMERCIAL CRAFT

| | ENGINE POWER (BHP) | PAX CAPACITY (seats) | CARGO DECK (sqm) | FUEL CAPACITY (kL) |
|--|--------------------|----------------------|------------------|--------------------|
| MULTI-ROLE OFFSHORE CREWBOATS | | | | |
| FLEX-42X | 4350 | 72* | 110 | 80 |
| FLEX-40X | 4350 | 70* | 100 | 82 |
| SECURITY BOATS | | | | |
| FLEX FIGHTER MAX | 4350 | 54 | 93 | 82 |
| PASSENGER FERRIES | | | | |
| FLEX FERRY X | 2900 | 285 - 309 | - | 7 - 12 |
| WINDFARM CREW TRANSFER VEHICLES | | | | |
| WINDFLEX-27 | 3550 | 12 - 24* | 120 | 35 |

Notes

* Full business class seating arrangement



CORPORATE PROFILE



Don't ya wish your crewboat was hot like me?
Penguin's flagship Flex-42X multi-role executive crewboat for oil and gas.



Penguin's best seller in Europe:
WindFlex-27 Crew Transfer Vessel for offshore wind.



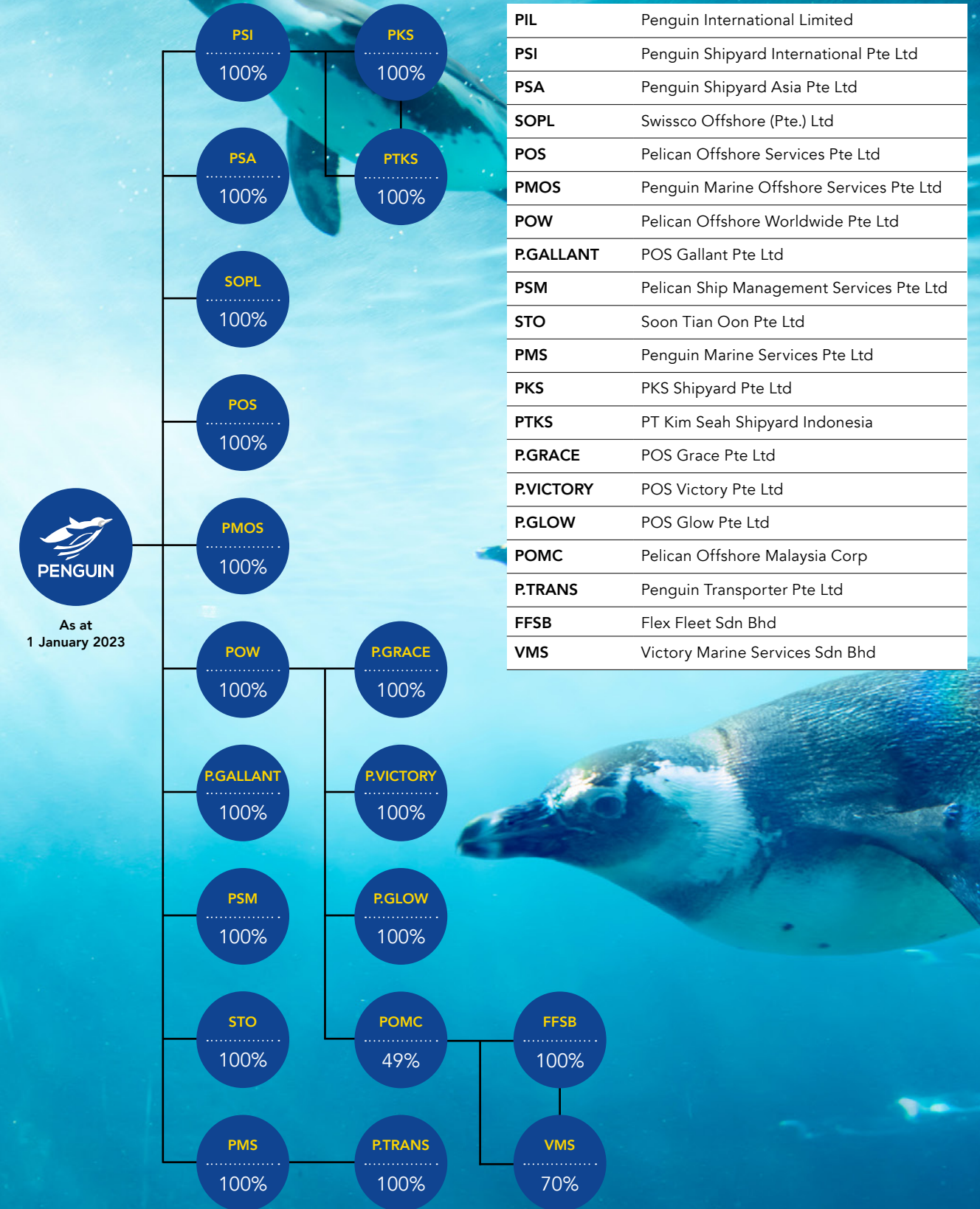
The all new Flex-40MX:
Penguin's best-selling 40m multi-role crewboat reimagined.



Penguin is a Singaporean homegrown, publicly listed designer, builder, owner and operator of high-speed aluminium craft, ranging from standardised stock vessels to complex bespoke designs.

Through a group of wholly owned, integrated subsidiaries, we own and operate a fleet of crewboats, passenger ferries and workboats, and we design and build a variety of high-speed craft at our shipyards in Singapore and Batam, Indonesia. These include fire fighting search-and-rescue vessels, patrol boats, security vessels, offshore crewboats, windfarm crew transfer vessels and passenger ferries. Our business is backed by a strong balance sheet and led by an experienced hands-on management team. We are committed to maintaining a high standard of public accountability, corporate governance and social responsibility. We stand for integrity, professionalism and mutual respect.

CORPORATE STRUCTURE



A JOINT LETTER FROM OUR CHAIRMAN AND MANAGING DIRECTOR



MR. JEFFREY HING
Executive Chairman



MR. JAMES THAM
Managing Director

“For the first time ever, FY2022 saw Europe become Penguin’s largest market by group shipbuilding, repair and maintenance revenue (\$43.3m and 41.5% share), followed by Africa (\$24.7m and 23.6% share) and - also for the first time - North America (\$9.1m and 8.7% share).”

Dear Fellow Shareholders,

The pandemic might be over but the wake of its disruption continues to sweep through the marine and offshore industry.

While Penguin remains a strong global market leader in the design, construction and operation of aluminium high-speed vessels with a growing brand franchise, our shipbuilding business in FY2022 was challenged - and is being transformed - by rising costs, supply chain disruptions, patchy demand across various market segments, as well as a growing global movement called decarbonisation.

Notwithstanding a year-on-year increase in FY2022 group revenue from \$133m to \$135m, gross profit

margin fell from 28.0% to 26.6% over the period, weighed down by lower shipbuilding income.

In FY2022, our shipyards in Batam and Singapore delivered 10 stock vessels comprising 2 Flex Fighters, 3 Flex crewboats and 5 WindFlex Crew Transfer Vessels (CTV) for offshore wind (versus 13 stock vessels in FY2021) and 7 build-to-order (BTO) vessels (versus 2 in FY2021). Over this period, shipbuilding, repair and maintenance revenue fell 1.8% year-on-year, from \$106m to \$104m.

With few exceptions, stock vessel sales earn higher profit margins than BTO vessel sales. Penguin’s overall shipbuilding margin in FY2022 declined year-on-year due primarily to fewer stock vessels sold.

In FY2022, Penguin delivered the following BTO projects: 5 small ferries, 1 CTV and 1 hybrid-electric patrol boat.

Apart from rising costs of equipment, material and labour, another challenge faced by our shipyards is supply chain disruption. In FY2022, delays in the delivery of some key equipment forced us to push back the handover of some shipbuilding projects to FY2023.

We expect the situation to improve in FY2023 as costs stabilise and logistics bottlenecks ease.

For different perspective, it is worth looking back over the past decade to see how far we have come:

| | FY2012/\$'m | FY2022/\$'m | Change |
|-------------------|-------------|-------------|--------|
| Revenue | 66.2m | 135.2m | 104.2% |
| Gross Profit | 24.6m | 35.9m | 45.9% |
| Profit Before Tax | 6.8m | 14.6m | 114.7% |

| As at | 31 Dec 2012 | 31 Dec 2022 | Change |
|-----------------------------|-------------|-------------|---------|
| Cash and cash equivalents | 37.1m | 15.0m | (59.6%) |
| Bank Loans | 0 | 23.9m | NM |
| Property, Plant & Equipment | 60.3m | 153.4m | 154.4% |
| Current Assets | 82.4m | 130.0m | 57.8% |
| Current Liabilities | 40.7m | 90.4m | 122.1% |
| Net Current Assets | 41.7m | 39.7m | (4.8%) |
| Net Assets | 94.5m | 198.1m | 109.6% |

| | | | |
|--|-----------|------------|---------|
| Crewboats | 9 | 22 | 144.4% |
| Ferries | 16 | 1 | (93.8%) |
| Total Workshop Space in Tuas & Batam | 3,186 sqm | 19,650 sqm | 516.8% |
| Personnel in Design & Engineering Team | 4 | 19 | 375% |

The comparable table above shows that our path to sustainable growth is neither linear nor simple. At times, it may even appear regressive. Taking a holistic view of our past progress, however, we believe that we are on the right track.

Penguin’s transformation over the last decade was based primarily on diversifying our portfolio of shipbuilding products and geographical reach, expanding our shipbuilding capacity and growing our own chartering fleet. We have met all these objectives.

The fact is our journey towards sustainable growth requires us to constantly strike a balance between short-term tactical and long-term strategic gains (eg, build-for-stock vessels versus build-to-order vessels), between established and new markets (eg, crewboats versus windfarm

vessels), and between short-term and long-term investments (eg, building more stock vessels versus building up a chartering fleet).

As the above financial flashback shows, our decade-long transformation has involved more hard work, more sacrifices, more risk and, for now, lower margins. The result, nevertheless, is an integrated shipbuilding and shipowning group that is resilient and growing sustainably for the foreseeable future - growth underpinned by a broad portfolio of products, a sizeable chartering fleet and a truly global brand franchise, with a potential for long-term, sustainable returns.

Had we chosen to remain in our comfort zone as a single-product, single-market company 10 years ago, we would have been finished long before the pandemic came along.

Back in FY2012, we had only our flagship 36-metre Flex-36 crewboat to show for, after having disposed of our legacy regional ferry ticketing business a year earlier. At the time, we focused on marketing our Flex-36 for sale over owning and operating it. We were the first Asian crewboat builder to enter the African market. We developed a fuel-efficient crewboat using an obscure French engine. We were successful on all these fronts.

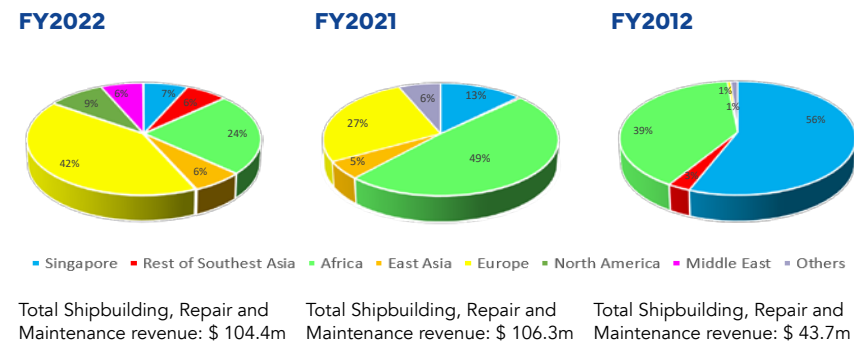
Most notably in FY2012, we developed the world’s first armoured multi-role crewboat for anti-piracy operations in the Gulf of Guinea, which we later named the Flex Fighter. Fast forward to FY2022 and we have sold around 80 Flex Fighters and Flex crewboats to Africa alone, plus an additional around 30 Flex crewboats to shipowners around the world, not counting those that we put into our own chartering fleet. In total, over the last decade, we have delivered close to 110 Flex crewboats and security boats, making Penguin the world’s most prolific builder of multi-role crewboats of all time.

While we still retain our “world title” in crewboats, we can no longer count on this erstwhile best seller for future growth. The signs are clear: In FY2022, Africa – our largest crewboat market - contributed to only 23.6% of our group shipbuilding, repair and maintenance revenue, compared with 48.8% a year earlier and a peak of 70.9% in 2019.

And for the first time ever, FY2022 saw Europe become Penguin’s largest market by group shipbuilding, repair and maintenance revenue (\$43.3m and 41.5% share), followed by Africa (\$24.7m and 23.6% share) and - also for the first time - North America (\$9.1m and 8.7% share).



A JOINT LETTER FROM OUR CHAIRMAN AND MANAGING DIRECTOR (CONT'D)



The above illustration shows that we are a truly global shipbuilder today.

Penguin's pivot to Europe corresponds to our growing role as the builder of choice among premium European CTV owners in recent years. However, our CTV margins are currently lower than our crewboat margins because we are a relatively new entrant to the CTV market and we lack the first mover advantages which we enjoy in our traditional oil and gas segment.

That said, we expect our CTV margins to improve over time as we differentiate our new flagship WindFlex CTVs with new features and new energy solutions. Significantly in FY2023, we will deliver our first hybrid-electric CTV to a European shipowner (a repeat customer). This follows our successful delivery of Singapore's first hybrid-electric patrol boat in FY2022 and Singapore's first hybrid-electric pilot boat in FY2020.



MPA Guardian:
Singapore's first hybrid-electric patrol boat



Penguin Tenaga:
Singapore's first hybrid-electric pilot boat

Also in FY2023, we will commission Singapore's first pure electric commuter ferries and a system of rapid shore chargers on the island of Pulau Bukom, home to Shell's Energy and Chemicals Park. That Penguin had won this unique turnkey design-build-own-operate marine electrification project in a global tender run by a multi-national oil major is a testimony of how far we have come since venturing out of our comfort zone in FY2012.



Electric Dream Project: Singapore's first pure electric seagoing ships and rapid shore chargers

Make no mistake about it: Penguin's transformation as an "energy disruptor" in the aluminium shipbuilding and shipowning space is an integral part of our strategy for sustainable growth in this era of decarbonisation. We remain committed to this strategy even though it involves more hard work, more sacrifices, more risk and, yes, lower margins at the moment.

On the CAPEX front, FY2021 was marked by high shipyard CAPEX activities arising from the upgrading of our Batam shipyard and the construction of new shipbuilding facilities in Singapore, while FY2022

was marked by high fleet CAPEX activities.

In FY2022, we added 9 new crewboats to our chartering fleet, bringing our total fleet size to 22 crewboats as at 31 December 2022, with an average age of 1.8 years per crewboat. The fleet expansion resulted in a record \$25.9m in crewboat chartering revenue in FY2022.

The higher CAPEX activities over the past two years necessitated increased borrowings. In FY2022, total bank borrowings rose 56.8% year-on-year to \$23.9m, of which \$15.9m was long-term debt. Notwithstanding the increased borrowings, Penguin's gearing ratio remained modest at 0.16 as at the end of last year. As always, Penguin refrains from borrowing to build stock vessels.

To stay ahead as a global market leader in the design, construction and operation of aluminium high-speed vessels, bank borrowings will form an integral part of Penguin's capital structure for the foreseeable future.

While our future in the long term remains bright, our outlook for the year ahead is mixed at best. Being a shipbuilder for a global clientele in new markets entails competing with more shipyards for customers, talents, suppliers and capital. A few of our competitors are much larger, some enjoy the protection of cabotage, many others are very hungry for work. To survive and thrive, we ourselves must remain hungry and humble, as we work harder and make more sacrifices in this Brave New World that we live in.

MR. JEFFREY HING
Executive Chairman

MR. JAMES THAM
Managing Director

BOARD OF DIRECTORS



MR. JEFFREY HING YIH PEIR
Executive Chairman

Mr. Hing was appointed Chairman of Penguin on 24 February 2010 and re-designated as Executive Chairman on 28 April 2011. As Chairman, he is responsible for the development and strategic direction of Penguin, managing

the quality, quantity and timeliness of the information flow between Management and the Board, as well as ensuring compliance with Penguin's guidelines on corporate governance.

Prior to his appointment as Chairman, he served as Non-Executive Director from February 2009. He was last re-elected in May 2020. Mr. Hing was appointed a member of the Nominating Committee on 28 April 2015.

Mr. Hing has more than 30 years of experience in the marine and offshore industry in a variety of roles including finance and administration, business development and management. He is

the founder and managing director of Trinity Offshore Pte. Ltd., a Singapore-based owner-operator of offshore support/utility vessels.

He sits on the board of Marco Polo Marine Limited as a Non-Executive Director.

As an experienced entrepreneur in the marine and offshore industry, Mr. Hing brings to Penguin his business acumen and his global network of industry contacts. An accountant by training, Mr. Hing has served in various roles as auditor, accountant, senior executive and director of diversified corporations.



MR. JAMES THAM TUCK CHOONG
Managing Director

Mr. Tham was appointed Managing Director on 1 October 2008 and was

last re-elected on 28 April 2022. He was previously the Chief Operating Officer and an Executive Director from August 2008, responsible for strategic business development, focusing on key overseas markets, mergers and acquisitions, as well as investor relations. Mr. Tham joined Penguin in November 2006 as its Business Development Director.

Prior to joining Penguin, Mr. Tham served in a variety of roles in the offshore oil and gas industry. He previously worked as a Petroleum Correspondent with Upstream, the international oil and gas

newspaper; a Business Development Manager with New York-based Seacor Holdings Inc.; and later served as a Corporate Advisor to the group, as well as to several independent petroleum exploration companies in the region.

Mr. Tham serves on the Industry Advisory Committee (IAC) for the Singapore Institute of Technology-Newcastle University's Naval Architecture and Marine Engineering Degree Programme. Mr. Tham holds a Bachelor of Science Degree in Journalism and a Bachelor of Business Administration Degree.



MS. JOANNA TUNG MAY FONG
Finance and Administration Director

Ms. Tung was appointed Finance and Administration Director in May 2008 and last re-elected on 28 April 2022. She is responsible for the Group's accounting and finance, corporate reporting, management information system and human resources functions.

Ms. Tung joined the Group in 2000 as an Accountant, and was promoted to Group Financial Controller in 2006, and subsequently Finance and Administration Director in 2008. Her duties and responsibilities have, over

the years, been expanded to include management of Penguin's accounting and finance activities, as well as corporate reporting and related Group administration.

Prior to joining Penguin, she served as an accountant in a broad range of industries, including electronics and transportation. She was also a regional internal auditor at a major Japanese MNC. Ms. Tung is a member of the Institute of Singapore Chartered Accountants and holds the ACCA professional qualification.



BOARD OF DIRECTORS



MR. WINSTON KWEK CHOON LIN

Lead Independent Director

Mr. Kwek was appointed a Director of Penguin International Limited on 29 April 2021. He serves as the Lead Independent Director, a member of the Audit and Risk Committee and Nominating Committee and Chairman

of the Remuneration Committee. Mr Kwek also sits, as independent director, on the board of BH Global Corporation Limited, a company listed on the SGX.

Specialising in international trade and shipping law since 1991, Mr. Kwek is experienced in maritime issues and is a partner in the International Trade and Shipping Practice Group in Rajah & Tann Singapore LLP. Since 2000, he has been nominated by various established legal publications as one of the leading lawyers in the region, especially in areas of shipping and maritime law, and was appointed by the Singapore Academy of Law in 2019 as a Senior Accredited Specialist on its inaugural panel of

Maritime and Shipping Specialists. In 2020, Mr Kwek was appointed as a Specialist Mediator (Shipping) by the Singapore International Mediation Centre; and in 2022 was admitted as a Fellow of the Singapore Institute of Arbitrators and an Accredited Maritime Arbitrator by the Singapore Chamber of Maritime Arbitration.

Mr. Kwek graduated with a Bachelor of Law (Honours) from the National University of Singapore in 1990 and was called to the Singapore Bar in March 1991. Between 2003 and 2016, he was an Adjunct Associate Professor in the Faculty of Law at the National University of Singapore, teaching the Law of Marine Insurance.



MR. HENRY TAN SONG KOK

Independent Director

Mr. Tan was appointed as Director of Penguin International Limited on 1 July 2021. He is the Chairman of the Audit and Risk Committee and a member of the Remuneration Committee. He is the Group CEO & Chief Innovation Officer of CLA Global TS Group (Formerly Nexia TS Group) and Director of the global board of CLA Global Limited. He was previously the Asia Pacific Regional Chairman and board member of Nexia International. Mr. Tan currently sits as an independent director on the boards of Asia Vets Holdings

Ltd, BH Global Corporation Limited, Dyna-Mac Holdings Ltd. and Trans-China Automotive Holdings Limited, companies listed on the SGX, as well as China New Town Development Co. Ltd, a company listed on the Hong Kong Stock Exchange.

Mr. Tan is the Chairman of Education Subcommittee on Sustainability Reporting of ISCA and a committee member of the Institute of Singapore Chartered Accountants ("ISCA") Sustainability and Climate Change Committee. He is a member of AFA Working Committee 2 of ASEAN Federation of Accountants. He was previously on the EXCO and served as Treasurer of Singapore Fintech Association, and ASEAN Federation of Accountants, President of Spirit of Enterprise, Chapter President of Entrepreneurs' Organisation, Council Member of ISCA and Chairman of Nanyang Business School Alumni Advisory Board.

Mr. Tan holds a Bachelor of Accountancy (First Class Honours) from National University of Singapore. He also attended the Advanced Executive Management Development Program at Beijing Tsinghua University. He is a Fellow of the ISCA, Institute of Chartered Accountants of Australia and New Zealand, CPA Australia, Insolvency Practitioners Association of Singapore Limited, ASEAN CPA and ISCA Financial Forensic Professional Credential. He is also an Associate Member of Singapore Institute of Internal Auditors, Singapore Institute of Directors and Singapore Chartered Tax Professionals. Mr. Tan is a Chartered Valuer and Appraiser and sits as a Council Member of the Institute of Valuers and Appraiser, Singapore. He is an Approved Liquidator registered with the Accounting & Corporate Regulatory Authority (ACRA) and a licensed Insolvency Practitioner by Ministry of Law.



MR. LEOW BAN TAT

Independent Director

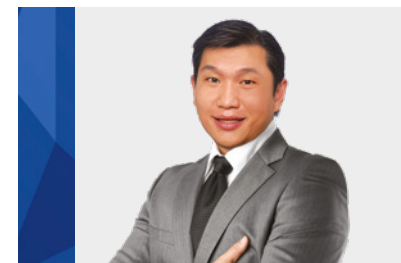
Mr. Leow was appointed to the Board on 28 April 2015 and last re-elected on 29 May 2020. He is a member of the Audit and Risk and Remuneration Committees and Chairman of the Nominating Committee.

Mr. Leow has more than 30 years' of experience in the marine and offshore industry in Singapore and overseas. Mr. Leow is the Managing Director of AME2 Pte Ltd, his own consultancy company which provides services for strategic marketing and business development for offshore companies and the founder and CEO of Aquaculture Centre of Excellence Pte Ltd and Nature Resources Aquaculture Pte Ltd since 2017. He is the inventor of the patented Eco-Ark® and Lift-Doc®.

Mr. Leow holds a Master's degree in Business Administration from Monash University, Australia, receiving the KPMG Peat Marwick Prize for Strategic

Management. He also obtained a First Class Marine Engineering Certificate of Competency from DTI in Newcastle-upon-Tyne, United Kingdom in 1985 after graduating with a Diploma in Marine Engineering (Merit) from the Singapore Polytechnic on an Esso scholarship.

Mr Leow was the President of the Society of Naval Architects and Marine Engineers Singapore from 2001 to 2002 and served in a significant military defence role as National Serviceman Chief Engineering Officer with the Republic of Singapore Navy from December 1993 to July 2018.



MR. KEITH TAN KENG SOON

Non-Independent Non-Executive Director

Mr. Keith Tan was appointed as a Non-Independent Non-Executive Director of Penguin on 9 June 2021.

He is the Chairman of the Dymon Asia Private Equity Investment Committee and a founding partner of Dymon

Asia Capital, one of the largest asset management companies in Singapore. Prior to Dymon, he was a Director at Abax Global Capital, a special situations hedge fund based in Hong Kong, where he originated, structured and executed investment transactions across Asia. During his career, Mr. Tan was also a member of the Executive Committee of Standard Chartered Bank (China), Legal Representative and Branch Manager of Standard Chartered Bank's Shanghai Branch. Mr Tan also sits, as a Non-independent Non-executive Director, on the Board of Challenger Technologies Limited, a company listed on the SGX.

Mr. Tan graduated with a 2nd Class Honours in Banking and Finance from Nanyang Technological University. He is

a Council Member as well as the Vice Chairman of the International Affairs Committee of the 61st Council of Singapore Chinese Chamber Commerce & Industry. He is the Patron of the Chong Pang Citizens' Consultative Committee and serves on the Board of Governors of the UOB-SMU Asian Enterprise Institute. He is also the Vice-Chairman of The Yellow Ribbon Fund Main Committee and serves as Chairman of the Yellow Ribbon Fund Advancement Sub-Committee.



KEY MANAGEMENT PERSONNEL

MR. LAW CHWAN YAW *Group Financial Controller*

Penguin International Limited

Mr. Law was appointed Group Financial Controller in November 2008.

He is responsible for the Group's finance, accounting and risk management functions. Mr. Law joined the Penguin Group as an Accountant in May 2001 and was later promoted to Group Accountant in August 2006, and then Group Finance Manager in July 2008, before being appointed to his current position.

Mr. Law is a member of the Institute of Singapore Chartered Accountants and the Malaysian Institute of Accountants. He graduated from the University of Malaya in 1996 with a Bachelor of Accounting Honours degree.

MR. JOEL LEE WEI KHAI *General Manager, Group Shipbuilding and Repair*

Penguin Shipyard
International Pte Ltd

Mr. Lee joined the Penguin Group in October 2016 as Project Manager of Penguin Shipyard International Pte Ltd, with primary responsibility over the Singapore Civil Defence Force fireboats project.

In January 2022, he was promoted to his current position of General Manager, Group Shipbuilding and Repair, overseeing both our Singapore and Batam shipyards.

Mr. Lee possesses close to 20 years of experience in the marine industry, including eight years with the Republic of Singapore Navy, as well as managerial roles in shipyards in Singapore and China.

Mr. Lee is a graduate from the National University of Singapore with an Honours Degree in Mechanical Engineering.

MR. PHILIP CHAN BAN ENG *Deputy General Manager*

PT Kim Seah Shipyard Indonesia

Mr. Chan was appointed Deputy General Manager of the Group's Batam shipyard, PT Kim Seah Shipyard Indonesia, in November 2013.

With more than 40 years of shipbuilding experience, Mr. Chan is responsible for all production activities in Batam, including production planning, project management and quality control.

Prior to joining the Penguin Group, Mr. Chan had worked as a Production Manager at a Singapore-based aluminium shipyard for close to two decades.

Mr. Chan holds a Diploma in Business Efficiency and Productivity in Production Management from Singapore's NPB Institute for Productivity Training, as well as an Advanced Craft Certificate in Shipbuilding from City and Guilds of London Institute.

MR. GEORGE PHILIP *General Manager, Group Commercial and Fleet*

Penguin International Limited

Mr. George Philip joined the Penguin Group in June 2011 as a Management Trainee in our Ship Management Department.

He joined our Commercial Department in November 2016 and was promoted to his current position of General Manager, Group Commercial and Fleet, in January 2022.

Mr. George Philip is a graduate from the University of Southern California with a Bachelor of Science in Management.

MR. CHEOW MUN KEONG *General Manager*

Flex Fleet Sdn Bhd

Mr. Cheow joined the Penguin Group in Singapore in March 2014 as Technical Executive at Pelican Ship Management Services Pte Ltd. In October 2014, he was transferred to Penguin's newly established Malaysian ship management unit, Flex Fleet Sdn Bhd, to serve as a Technical Superintendent for the Group's fleet of crewboats in Malaysia.

Mr. Cheow was promoted to Fleet Manager in May 2016, and subsequently to his current position of General Manager of Flex Fleet Sdn Bhd in April 2017.

Mr. Cheow holds a Diploma in Marine Engineering and a combined First and Second Class Engineer's Certificate from Malaysia Maritime Academy.



CORPORATE MILESTONES

1972

Penguin's founder Mr. Heng Kheng Seng sets up a sole proprietorship to operate ferries between Singapore and its offshore islands.

1976

Penguin is incorporated as a private limited company.

1995

Penguin builds its first aluminium vessel

1997

Penguin goes public on the Singapore Stock Exchange. Pelican is set up to own and operate crewboats.

2015

100th Flexcrewboat delivered.

2014

Debut of Flex-40 crewboat and Flex Ferry.

2013

50th Flex crewboat delivered.

2012

Debut of Flex Fighter security boat.

2006

Debut of Flex-36 crewboat.

2016

Debut of Flex-42X and Flex-25 CAT crewboats.

2019

Delivered seven patrol boats to the Australian state of New South Wales.

Delivered first windfarm support vessel to a Taiwanese owner.

First Flex Ferry X delivered to a South African owner.

Delivered two fire fighting search-and-rescue vessels to the Singapore Civil Defence Force.

150th crewboat delivered.

2020

Ten ferries delivered to the Australian state of New South Wales.

2022

Delivered Singapore's first hybrid-electric patrol boat, MPA Guardian, to the Maritime and Port Authority of Singapore.

Delivered four Flex Fighters to the Ghana Navy to serve as oilfield protection and escort vessels.

Delivered three cruise tenders to Norwegian Cruise Line in the Bahamas.

2021

Awarded LowCarbonSG status by Carbon Pricing Leadership Coalition Singapore.

Delivered our largest and most luxurious passenger ferry to Germany.

Delivered Ireland's first WindFlex-27 Crew Transfer Vessel.

Successfully commissioned Singapore's first hybrid-electric seagoing ship, Penguin Tenaga.

OPERATING AND FINANCIAL REVIEW



One of three 24m cruise tenders in the Bahamas

HIGHLIGHTS OF FY2022

In FY2022, Penguin posted a net profit after tax of \$10.6 million, down 16.7% from the previous year. Group revenue grew 1.9% to \$135 million while gross profit fell 3.4% to \$35.9 million over the same period, weighed down by lower shipbuilding income.

The \$10.6 million in net profit after tax included \$3.6 million from fleet vessel sales and \$3.55 million from Singapore's Jurong Town Corporation by way of a relocation package that commensurated with the Group's move from its old shipyard at 18 Tuas Basin Link to its new shipyard at 21 Tuas Road.

In FY2022, there were no more pandemic-related government support programmes such as the Jobs Support Scheme, rental waivers and property tax rebates, with the exception of foreign worker levy rebates and waivers.

From FY2021 to FY2022, our cash and short-term deposits fell 28.8% to \$15 million while our cash ratio fell from 0.46 to 0.17.

In FY2022, our shipyards in Tuas and Batam delivered 26 new vessels (versus 23 in FY2021), of which 10 were built for stock (versus 13 in FY2021), 9 were built for charters



One of two new workshops at 21 Tuas Road

(versus 8 in FY2021) and 7 were built to order (BTO, versus 2 in FY2021). Over this period, shipbuilding, repair and maintenance revenue fell 1.8% year-on-year, from \$106m to \$104m.

Our 10 stock vessels in FY2022 consisted of 2 Flex Fighters, 3 Flex crewboats and 5 WindFlex Crew Transfer Vessels (CTV) for offshore wind. Our 7 BTO projects in FY2022 comprised 5 small ferries, 1 CTV and 1 hybrid-electric patrol boat.

Notable BTO projects include an 18-metre ferry christened *WattnExpress*, which was our first newbuild vessel with IMO Tier III engines installed (currently the most stringent emissions limit set by the International Maritime Organisation); a 35-metre catamaran patrol boat christened *MPA Guardian*, which is Singapore's first hybrid-electric patrol boat; and three cruise tenders for *Norwegian Cruise Line*, representing our first foray into the cruise industry.

And for the first time ever, FY2022 saw Europe become Penguin's largest market by group shipbuilding, repair and maintenance revenue (\$43.3m and 41.5% share), followed by Africa (\$24.7m and 23.6% share) and - also for the first time - North America (\$9.1m and 8.7% share) with the cruise tenders.

Penguin's pivot to Europe corresponds to our growing role as the builder of choice among premium European CTV owners in recent years.



One of three 18m ferries built for a repeat German client



MPA Guardian: Singapore's first hybrid-electric patrol boat



OPERATING AND FINANCIAL REVIEW



Newly built 50m piers for our marine travel lift in Singapore

On the CAPEX front, FY2022 was marked by high fleet CAPEX activities, during which we added 9 new Flex crewboats to our chartering fleet, whereas FY2021 was marked by high shipyard CAPEX activities arising from the upgrading of our Batam shipyard and the construction of new shipbuilding facilities at 21 Tuas Road.

As at 31 December 2022, we had 22 Flex crewboats in our chartering fleet, with an average age of 1.8 years per crewboat. The fleet expansion resulted in a record \$25.9 million in crewboat chartering revenue in FY2022, up from \$21.0 million in the previous year.

The higher CAPEX activities over the past two years necessitated increased borrowings. In FY2022, total bank borrowings rose 56.8% year-on-year to \$23.9m, of which \$15.9m was long-term debt. Notwithstanding the increased borrowings, Penguin's gearing ratio remained modest at 0.16 as at the end of last year.

Penguin's Board of Directors has recommended a dividend of 2.25 cents per share for the latest financial year.



Our marine travel lift in action at 21 Tuas Road

KEY BALANCE SHEET HIGHLIGHTS (\$'MILLION)

| | As at 31 Dec 2022 | As at 31 Dec 2021 |
|--|-------------------|-------------------|
| Total Assets | 318.5 | 256.8 |
| Property, plant and equipment | 153.4 | 109.0 |
| Inventories | 68.6 | 46.3 |
| Cash, bank balances and fixed deposits | 15.0 | 21.0 |
| Total Current Liabilities | 90.4 | 46.0 |
| Total Equity | 198.1 | 191.9 |



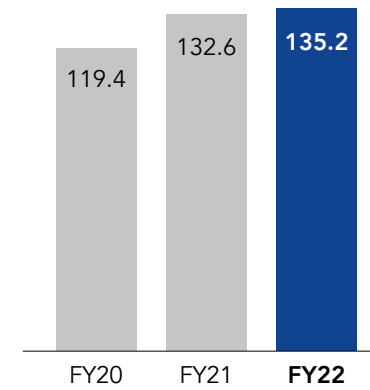
Penguin's best-selling 40m crewboat reimagined and redesigned.



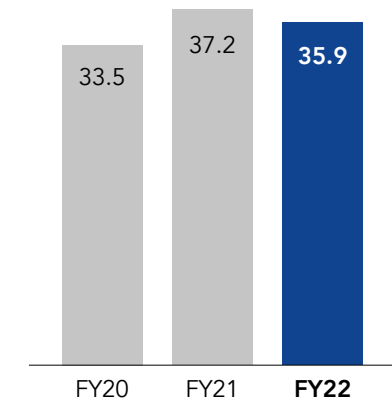
KEY FINANCIAL HIGHLIGHTS

FINANCIAL YEAR ENDED
31 DECEMBER 2022

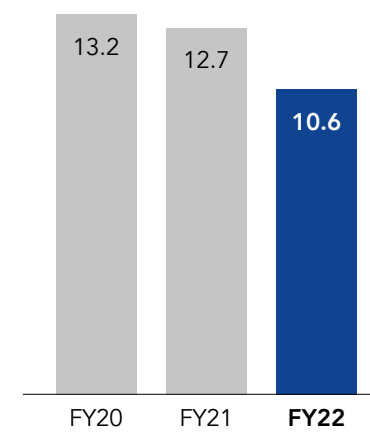
REVENUE (\$'m)



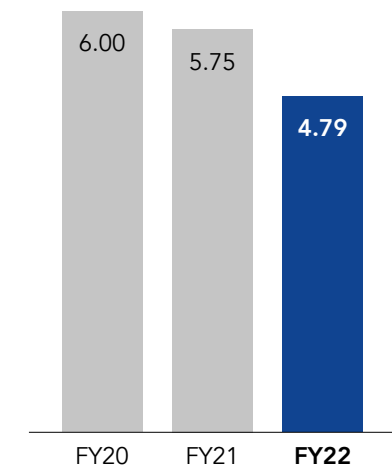
GROSS PROFIT (\$'m)



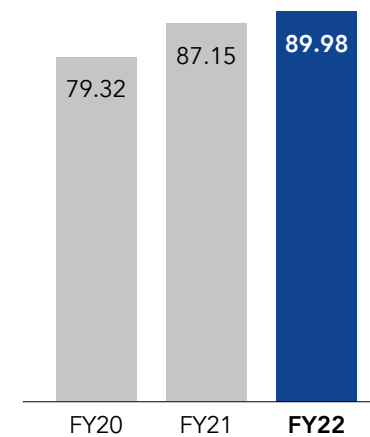
NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS (\$'m)



EARNINGS PER SHARE (SGD cents)



NET ASSET VALUE PER SHARE (SGD cents)



CORPORATE INFORMATION

DIRECTORS

Jeffrey Hing Yih Peir
James Tham Tuck Choong
Tung May Fong
Winston Kwek Choon Lin
Henry Tan Song Kok
Leow Ban Tat
Keith Tan Keng Soon

COMPANY SECRETARIES

Heng Michelle Fiona
Tan Ching Chek

REGISTERED OFFICE

21 Tuas Road
Singapore 638489

BANKERS

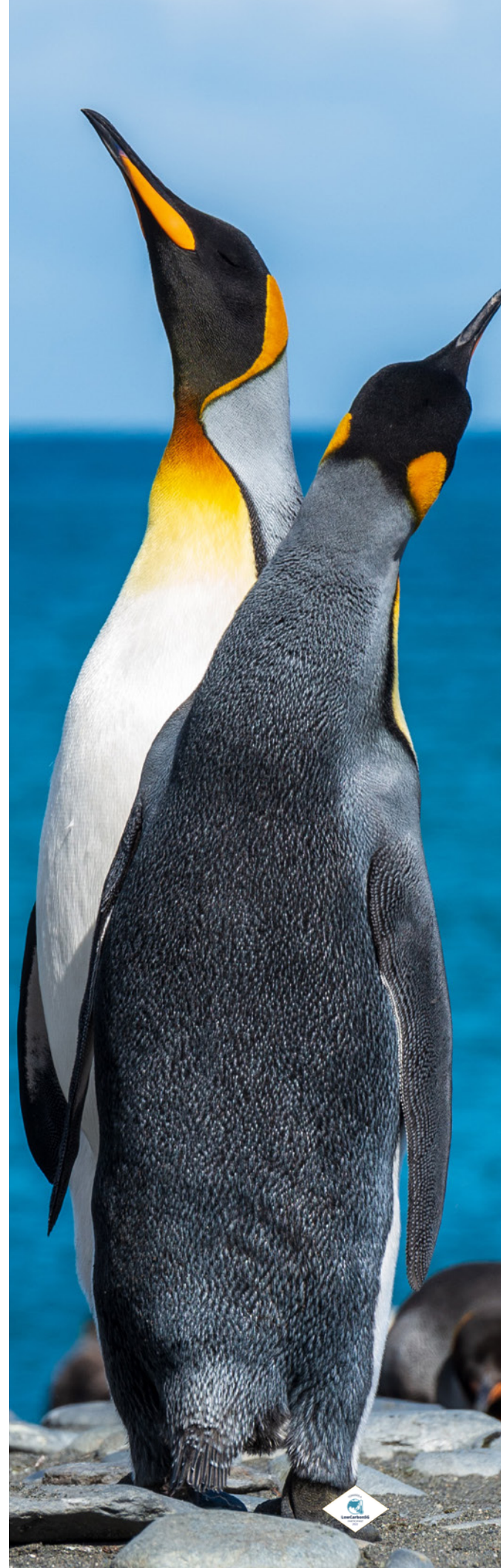
DBS Bank Ltd
Standard Chartered Bank
Oversea-Chinese Banking Corporation Limited
Malayan Banking Berhad

SHARE REGISTRAR

Boardroom Corporate & Advisory Services Pte Ltd
1 Harbourfront Avenue
#14-07 Keppel Bay tower
Singapore 098632

AUDITORS

PKF-CAP LLP
6 Shenton Way OUE Downtown 1 #38-01
Singapore 068809
Partner in charge: Lee Eng Kian
(Since financial year ended 31 December 2018)



CORPORATE GOVERNANCE REPORT

Penguin International Limited (the "Company") is committed to maintaining high corporate governance standards and sound corporate practices within the Company and its subsidiaries (the "Group") to ensure that effective self-regulation practices are in place to enhance corporate performance and accountability. This report outlines the Company's main corporate governance practices with reference to the principles and provisions of the Code of Corporate Governance 2018 (the "Code").

The Board is pleased to confirm that for the financial year ended 31 December 2022, the Company has adhered to the principles and provisions as set out in the Code and where the Company's practices vary from any of the provisions of the Code, this is stated with an explanation of the reason for the variation and how the practices it has adopted are consistent with the intent of the relevant principle.

BOARD MATTERS

BOARD'S CONDUCT OF AFFAIRS

Principle 1: The company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the company.

The Board comprises seven Directors, of whom three are Independent Directors and there is one Non-executive Director. The composition of the Board and Board committee members are as follows:

Rule 210(5)(c)

Rule 1207(10B)

| | Board | Audit & Risk Committee "AC" | Nominating Committee "NC" | Remuneration Committee "RC" |
|------------------------|---|--------------------------------|------------------------------|--------------------------------|
| Jeffrey Hing Yih Peir | Executive Chairman | - | Member | - |
| James Tham Tuck Choong | Managing Director | - | - | - |
| Tung May Fong | Finance and Administration Director | - | - | - |
| Winston Kwek Choon Lin | Lead Independent & Non-executive Director | Member | Member | Chairman |
| Leow Ban Tat | Independent & Non-executive Director | Member | Chairman | Member |
| Keith Tan Keng Soon | Non-Independent & Non-executive Director | - | - | - |
| Henry Tan Song Kok | Independent & Non-executive Director | Chairman | - | Member |

The profiles and key information of the Directors are also set out on pages 15 to 17 of this Annual Report.

The Board oversees the business affairs of the Group, sets strategic directions, approves budgets and reviews the Group's performance. The Board is collectively responsible for the long-term success of the Group. Each Director exercises his independent judgement to act in good faith and in the best interest of the Group for the creation of long-term value for shareholders. The Board works with Management to achieve this objective and Management remains accountable to the Board. The Directors also shape the culture and the strategic direction of the Group by adopting appropriate "tone-from-the-top" in meetings attended by key management personnel.

Provision 1.1

CORPORATE GOVERNANCE REPORT (CONT'D)

Each Director is required to promptly disclose any conflict or potential conflict of interest, whether direct or indirect, in relation to a transaction or proposed transaction with the Company, as soon as practicable after the relevant facts have come to his knowledge. Where a Director has a conflict or potential conflict of interest in relation to any matter, he should immediately declare his interest and recuse himself and refrain from participating in discussions regarding a transaction or proposed transaction in which he has an interest or is conflicted, unless the Board is of the opinion that his presence and participation is necessary to enhance the efficacy of such discussion. Nonetheless, he shall abstain from voting in relation to the conflict-related matters.

Board Orientation, Training and Updates

Directors understand the Company's business as well as their directorship duties.

The Board strives to ensure that incoming new Directors are given proper guidance and orientation (including on-site visits to the Group's operational facilities) to familiarise them with the Group's business, operations, financial performance and key management staff of the Group as well as corporate governance practices upon their appointment to facilitate the effective discharge of their duties. A formal letter is sent to each new Director, upon his appointment, setting out the Director's statutory duties and obligations. Newly appointed Directors will be encouraged to attend at the Company's expense, courses relating to the Singapore regulatory environment and audit essentials.

If a newly-appointed Director has no prior experience as a director of a company listed on Singapore Exchange Securities Trading Limited ("SGX-ST"), he is required to attend courses and training organised by institutions such as Singapore Institute of Directors ("SID"), the Accounting and Corporate Regulatory Authority ("ACRA") and the SGX-ST at the Company's expense. They will also be encouraged to attend at the Company's expense, courses relating to the Singapore regulatory environment and audit essentials.

Directors have the opportunity to visit the Group's operational sites and to meet Management to gain a better understanding of the Group's business operations. All Directors are also encouraged to constantly keep abreast of developments in regulatory, legal and accounting frameworks that are relevant to the Group through the extension of opportunities for participation in relevant training courses, seminars and workshops where applicable, at the Company's expense.

Directors also are regularly updated on the business activities of the Group and regulatory and industry specific environments in which the Group operates during the Board meetings. Changes to regulations and accounting standards are monitored closely by Management. The Board as a whole, is updated regularly on risk management, corporate governance and key changes in the relevant regulatory requirements and accounting standards. New releases issued by the SGX-ST and the ACRA which are relevant to the directors are circulated to the Board so that they are kept up-to-date on pertinent matters relating to the relevant regulatory requirements and their key changes such as listing rules, corporate governance, risk management, financial reporting standards and the Companies Act 1967 (the "Act"). Appropriate external trainings will be arranged where necessary.

All Board members have completed the mandated sustainability training course organised by SID as required under the enhanced SGX sustainability reporting rules announced in December 2021.

Provision 1.1

Provision 1.2

Provision 1.2

Provision 1.6

CORPORATE GOVERNANCE REPORT (CONT'D)

Principal Duties of the Board

In addition to its statutory duties, the principal functions of the Board are to:

- a) supervise the overall management of the business and affairs of the Group and approve the Group's corporate and strategic policies and direction;
- b) formulate and approve the Group's financial objectives and monitor its performance such as reviewing and approving of results announcements and approving of annual financial statements;
- c) approve the Group's annual budgets, major funding proposals, investment/ divestment proposals and corporate or financial restructuring;
- d) oversee the processes for evaluating the adequacy of internal controls and risk management including the review and approval of interested person transactions;
- e) ensure that necessary financial and human capital resources are available for the Group to meet its objectives;
- f) review and endorse the framework of remuneration for the Board and key management personnel as recommended by the RC;
- g) approve the nominations to the Board of Directors and appointment of key management personnel, as recommended by the NC;
- h) consider sustainability issues e.g. environmental and social factors, as part of its strategic formulation; and

assume responsibility for corporate governance and compliance with the Act and the rules and requirements of relevant regulatory bodies.

Matters Requiring Board Approval

The Board has adopted a set of internal guidelines on matters requiring board approval. Matters that are specifically reserved for the approval of the Board include, among others, any material acquisitions and disposals of assets, corporate or financial restructuring, proposing of dividends, annual budgets, significant legal and financial issues, announceable matters, interested person transactions, appointment of directors and key management staff and other matters as may be considered by the Board from time to time.

Delegation to Board Committees

The Board has delegated specific responsibilities to three committees namely, the AC, the NC and the RC to assist in the execution of its responsibilities. Each committee has its own written terms of reference which clearly sets out its objectives, duties, powers and responsibilities and which has been amended to be in line with the Code. All Board Committees are actively engaged and play an important role in ensuring good corporate governance in the Company and within the Group. Minutes of all Board Committees have been circulated to the Board so that Directors are aware of and are kept updated as to the proceedings and matters discussed during the Committees' meetings.

While the Board Committees have the authority to examine particular issues and report back to the Board with their decisions and/or recommendations, the ultimate responsibility on all matters still lies with the entire Board.

Provision 1.3

Provision 1.4



CORPORATE GOVERNANCE REPORT (CONT'D)

Attendance at Board and Committee Meetings

The Board conducts regular scheduled meetings on a quarterly basis. The Board and the Board Committees meet regularly based on a meeting schedule planned in advance of each financial year so as to ensure maximum attendance by all participants. Ad-hoc meetings are convened when circumstances require. The Company's Constitution provides for the Directors to attend meetings via telephonic or video conference means. Between board meetings, important matters concerning the Company are also put to the Board for its decision by way of circulating resolutions in writing for Directors' approval together with supporting memoranda to enable the Directors to make informed decisions.

The attendance of the Directors at meetings of the Board and Board Committees during the financial year ended 31 December 2022 ("FY2022") is as follows:

| Meetings of: | Board | AC | NC | RC |
|------------------------|----------|----------|----------|----------|
| No. of Meetings held: | 4 | 4 | 1 | 1 |
| Name of Director: | Attended | Attended | Attended | Attended |
| Jeffrey Hing Yih Peir | 4 | - | 1 | - |
| James Tham Tuck Choong | 4 | - | - | - |
| Tung May Fong | 4 | - | - | - |
| Leow Ban Tat | 4 | 4 | 1 | 1 |
| Winston Kwek Choon Lin | 4 | 4 | 1 | 1 |
| Keith Tan Keng Soon | 4 | - | - | - |
| Henry Tan Song Kok | 4 | 4 | - | 1 |

In addition to the above, the Independent Directors had met with the internal auditors and external auditors without the presence of the Executive Directors or Management at least once in 2022.

During FY2022, the Independent Directors and Non-executive Director also met amongst themselves and/or with the Executive Directors and the management team on an ad hoc basis to approve and/or discuss specific issues or matters relating to the Group. Such informal discussion and meetings are not included in the above table.

Multiple Board Representations

All Directors are required to declare their board representations. The NC reviews the multiple board representations held by the Directors on an annual basis to ensure that sufficient time and attention is given to the affairs of the Group.

The NC has assessed that each Director in the Company is able to and has been adequately carrying out his duties as a director of the Company, taking into consideration the Director's number of listed company board representations and other principal commitments. The NC also took into consideration the Company's existing practice of directors being assessed by each other as an additional check and balance on the performance of individual directors and that a director should have self-responsibility to determine whether he is able to discharge his duties properly and effectively as a director when taking on additional listed company board seats.

Provision 1.5

Provision 1.6

Provision 1.5

Provision 10.5

Provision 1.5

CORPORATE GOVERNANCE REPORT (CONT'D)

The NC is of the view that, the issue relating to multiple board representations should be left to the judgement and discretion of each Director. The NC noted that based on the attendance at Board and Board Committee meetings during the financial year, all Directors were able to participate in all the meetings to carry out their duties as a director of the Company.

Access to Information

Board members are provided with quarterly management reports and from time to time, they are furnished with all relevant information on material events and transactions to enable them to be fully cognisant of the decisions and actions of the Company's Executive Management. Detailed board papers are prepared for each Board meeting. The board papers include sufficient information from Management on financial, business and corporate issues and are normally circulated in advance of each meeting to enable the Directors to obtain further explanations, where necessary, in order to be briefed properly before the meeting. The Directors are also regularly updated on the business activities of the Group and when there are significant developments or events relating to the Group's business operations. Board members have separate and independent access to Management and Management has access to the Directors for guidance or exchange of views outside of the formal environment of the Board meetings.

The Directors have separate and independent access to Management and the Company Secretary at all times and they have been provided with the phone numbers and e-mail particulars of the Company Secretary. Each Director has the right to seek independent legal and other professional advice (where necessary), at the Company's expense, concerning any aspect of the Group's operations or undertakings in order to fulfil her/his duties and responsibilities as a Director.

The Company Secretary attends all Board meetings and ensures Board procedures are followed. The Company Secretary is also responsible to ensure that established procedures and all relevant statutes and regulations that are applicable to the Company are complied with. The appointment and removal of the Company Secretary is a matter for the Board as a whole.

BOARD COMPOSITION & GUIDANCE

Principle 2: The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the company.

There are seven Directors on the Board, of whom three are Independent Directors and there is a Non-independent and Non-executive director. Independent Directors comprise at least one-third of the Board and their independence is assessed and reviewed annually by the NC. The NC conducted its annual review of directors' independence and was satisfied that the Company complied with Rule 210(5)(c) of the Listing Manual of SGX-ST.

There are no Alternate Directors on the Board. In recognising the importance and value of gender diversity in the composition of the Board, there is a female Director on the Board.

To discharge its oversight responsibilities, the Board must be an effective board which can lead and control the business of the Group. There is a process of refreshing the Board progressively over time so that the experience of longer serving directors can be drawn upon while tapping into the new external perspectives and insights which more recent appointees bring to the Board's deliberation.

Provision 1.6

Provision 1.7

Rule 210(5)(c)



CORPORATE GOVERNANCE REPORT (CONT'D)

Board Independence

Under Provision 2.1 of the Code, an “independent” director is one who is independent in conduct, character and judgement, and has no relationship with the company, its related corporations, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director’s independent business judgement in the best interests of the company.

Provision 2.1

Rule 210(5)(d) of the Listing Manual of the SGX-ST also sets out circumstances under which a director will not be independent. A director will not be considered independent if he is employed by the Company or any of its related corporations for the current or any of the past three (3) financial years or if he has any immediate family members who is employed by the Company or any of its related corporations for the past three (3) financial years and whose remuneration is determined by the RC or if he has been a director of the Company for an aggregate period of more than nine years. Such director may continue to be independent until the conclusion of the Company’s next annual general meeting.

Rule 210(5)(d)

The composition of the Board and independence of each Director is assessed and reviewed annually by the NC to ensure that the Board has the appropriate mix of expertise and experience to govern and manage the Group’s affairs. In its deliberation as to the independence of a director, the NC took into account examples of relationships as set out in the Code, considered whether a director has business relationships with the Group, its substantial shareholders or its officers and if so, whether such relationships could interfere or be reasonably perceived to interfere, with the exercise of the director’s independent business judgement in the interest of the Group.

Provision 2.1

Provision 4.4

Each Independent Director is required to provide an annual confirmation of his independence based on the guidelines set out in the Code. The Directors must also confirm whether they consider themselves independent despite not having any relationship identified in the Code. The Board will determine, taking into account the views of the NC, whether a director is independent in character and judgement and whether there are relationships or circumstances which are likely to affect or could affect the Director’s judgement.

The Board, with the assistance of NC, assesses the independence of each Director on an annual basis. The relevant factors considered by the NC are independence in character and judgement, as well as relationships or circumstances, which are likely to affect, or would appear to affect the Director’s judgement. Particular attention is given to reviewing and assessing the independence of any Director who has served on the Board beyond nine years from the date of appointment, if there are any. Currently, there is no Independent Director who has served on the Board beyond nine years from date of appointment. The Board is of the view that all Independent Directors remain independent in the exercise of their judgement on Board matters.

Rule 210(5)

The Board also recognises that Independent Directors may over time develop significant insights in the Group’s business and operations and can continue to provide noteworthy and valuable contribution objectively to the Board as a whole. The independence of the Independent Directors must be based on their substance of their professionalism, integrity and objectivity and not merely based on form such as the number of years which they have served on the Board.

Rule 210(5)

CORPORATE GOVERNANCE REPORT (CONT'D)

Proportion of Non-executive Independent Directors

Although Provision 2.2 of the Code provides that independent directors should make up a majority of the Board where the Chairman is not independent, the NC and the Board are of the opinion that there is an appropriate level of independence as the Board is able to exercise objective judgment independently from Management as all key issues and strategies are thoroughly reviewed and discussed by all Board members and constructively challenged by the Independent Directors as well as the Non-executive Director. The NC and the Board are of the view that the independence of directors must be based on the substance of their professionalism, integrity and objectivity and not merely based on form such as the number of independent directors that must make up a majority of the Board.

Provision 2.2

No individual or small group of individuals dominate the decisions of the Board.

During FY2022, Non-executive Directors constitute more than half of the Board. There are three Executive Directors compared to three Non-executive Independent Directors and one Non-executive Non-independent director. There is also a Lead Independent Director and all Board Committees are chaired by Independent Directors. Therefore, the NC is of the view that the Board has sufficient independent elements and its composition is appropriate to facilitate effective decision making and to aid in development of the Group’s strategic processes, review the performance of the Management in meeting agreed goals and objectives, and monitor the reporting of performance and operations, as an appropriate check and balance.

Provision 2.3

The Independent and Non-executive Directors constructively challenged and helped management develop proposals on business strategies for the Company and the Group, taking into consideration the long-term interests of the Group and its stakeholders. Their views and opinions also provide different perspectives to the Group’s business. The Independent and Non-executive Directors also reviewed the performance of management in achieving agreed goals and objectives for the Company and the Group, and monitored the reporting of performance and ensures objectivity in such deliberations.

The Company is in compliance with Rule 210(5)(c) of the Listing Manual of the SGX-ST, which requires the Board to have at least two Non-executive Directors who are independent and free of any material business or financial connection with the Company.

Rule 210 (5)(c)

Board Size and Board Diversity

The NC is of the view that the size of the Board and its board committees is appropriate taking into account the nature and scope of the Group’s operations, the core competency and broad range of industry knowledge and business experience of the Directors to govern and contribute to the effectiveness and success of the Group. The NC reviews the size of the Board as well as opportunities to refresh the Board from time to time. The Company recognises and embraces the benefits of diversity of experience, age, skill sets, gender and ethnics on the Board (“Board Diversity”) and views Board Diversity as an essential element to support the attainment of its strategic objectives and sustainable development.

Provision 2.4

The Company’s Board Diversity Policy sets out its approach to achieve diversity on the Board. In terms of the Board’s composition, the Company seeks to have a Board that comprises directors who, as a group, not only provide an appropriate balance and have diversity of professional experience, skills and knowledge and independence but also of other aspects such as gender and age and other relevant factors so as to avoid groupthink and foster constructive debate. Gaps identified, if any, will be considered in determining the optimum composition of the Board, and where possible, will be balanced appropriately. Every year, the NC conducts its review of the composition of the Board, which comprises members of both genders and from different backgrounds whose core competencies, qualifications, skills and experiences, meet with the requirements of the Group at the point in time. The NC will continue to review the Board Diversity Policy, as appropriate, to ensure its effectiveness, and will recommend appropriate revisions to the Board for consideration and approval. It will also continue its identification and evaluation of suitable candidates to ensure there is diversity (including gender diversity) on the Board.

Provision 2.4



CORPORATE GOVERNANCE REPORT (CONT'D)

The current Board composition reflects the Company's commitment to Board diversity. The Board comprise directors from different backgrounds and whose core competencies, qualifications, skills and experience are extensive. The Board, as a group, provides an appropriate balance and diversity of skills and experience including accounting and financial, legal and business management expertise and collectively possess the necessary core competence to lead and govern the Group effectively. Each Director provides a valuable network of industry contacts which are considered essential to the Group and was appointed on the strength of his calibre, experience and stature.

The Directors are between the ages of 50 to 67 and have served on the Board for different tenures. To ensure gender representation, the Company has one female Director on the Board. In terms of board independence, with a strong element of oversight on the Board, there are three Independent Non-executive Directors and one Non-independent Non-executive Director out of a total of seven Directors.

The Independent Directors and Non-executive Director, led by the Lead Independent Director, meet on a need-be basis without the Management's presence to discuss matters such as the Group's financial performance, corporate governance initiatives, board processes, succession planning and the remuneration of the Executive Directors and key management personnel. The Non-executive Directors provide feedback to the Board as appropriate.

Details of the directors' qualifications, background and working experience are set out under the "Board of Directors" section of this annual report.

CHAIRMAN AND MANAGING DIRECTOR

Principle 3: There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.

The Executive Chairman and the Managing Director are separate persons and their roles are segregated to ensure an appropriate balance and separation of power and authority, increased accountability and clear division of responsibilities. They are not related and there is no business relationship between them.

Mr Jeffrey Hing, the Executive Chairman is responsible for the strategic direction of the Group, the workings of the Board and communicating the performance of the Company and the Group to the Board and shareholders. The Chairman encourages active and effective engagement, participation and contribution from all Directors and facilitates constructive relations among and between them and management. Mr James Tham, the Managing Director, with the assistance of a team of key management personnel, is responsible for the day-to-day management of the Group and executing the Group's strategies and policies.

The Board has no dissenting view on the Chairman and Managing Director's Joint Letter to Shareholders for the year under review.

Lead Independent Director

To enhance the independence of the Board, Mr. Winston Kwek Choon Lin, the Lead Independent Director, provides a non-executive perspective and contributes to a balance of viewpoints on the Board. He is the principal liaison on board issues between the Non-executive Directors and the Executive Directors. The Lead Independent Director will be available to shareholders with concerns or issues when contact through the normal channels with the Chairman, the Managing Director or the Finance & Administration Director has failed to provide satisfactory resolution or when there is a conflict of interest in such contact.

No queries or requests on any matters which required the Lead Independent Director's attention were received in FY2022.

Provision 2.4

Provision 2.5

Provision 3.1
Rule 1207(10A)

Provision 3.2

Provision 3.3

CORPORATE GOVERNANCE REPORT (CONT'D)

BOARD MEMBERSHIP

Principle 4: The Board has a formal and transparent process for the appointment and re-appointment of directors, taking into account the need for progressive renewal of the Board.

NC Composition and Role

The NC comprises the following three Directors, which includes the Lead Independent Director and the majority of whom, including the NC Chairman, are independent: -

Leow Ban Tat (Chairman)
Winston Kwek Choon Lin
Jeffrey Hing Yih Peir

The NC is guided by written terms of reference approved by the Board and its principal functions are to establish a formal and transparent process on matters relating to and including:

- (a) making recommendations to the Board on relevant matters relating to:
 - (i) the review of succession plans for Directors, in particular the appointment and/or replacement of the Chairman, the CEO and key management personnel;
 - (ii) the process and criteria for evaluation of the performance of the Board, its Board Committees and Directors;
 - (iii) the review of training and professional development programmes for the Board and its Directors;
 - (iv) the appointment and re-appointment of Directors (including alternate directors, if any);
- (b) determining annually, and as and when circumstances require, if a Director is independent, and providing its views to the Board in relation thereto for the Board's consideration;
- (c) where a Director or proposed Director has multiple board representations, deciding whether the Director is able to and has been adequately carrying out his duties as a Director taking into consideration the Director's number of listed company board representations and other principal commitments.

Nomination and selection of Directors

All new appointments and selection of Directors are reviewed and proposed by the NC. The NC will first identify the knowledge, skills, experience and background of the candidate being considered for appointment to the Board. Suitable candidates for Board membership are then identified through, *inter alia*, recommendations from current Board members, searches conducted by external search consultants or the SID and other referrals. The selection criterion includes integrity, diversity of competencies, expertise, industry experience and financial literacy. The NC and the Board will interview short-listed candidates before discussing and approving the final appointment. For existing Directors who retire and stand for re-election, based on the evaluation of these Directors, the NC will make recommendations for the re-nomination of such Directors, if they are eligible.

The Directors submit themselves for re-nomination and re-election at regular intervals of at least once every three years. Pursuant to Regulation 92 of the Company's Constitution, one-third of the Directors are to retire from office by rotation and be subject to re-election at the Annual General Meeting ("AGM") of the Company. In addition, Regulation 98 requires a newly appointed director to submit himself for retirement and re-election at the AGM immediately following his appointment. Thereafter, he is subject to retirement by rotation at least once every three years.

Provision 1.4
Provision 4.2
Rule 1207(10B)

Provision 4.1

Provision 4.3

Rule 720(5)



CORPORATE GOVERNANCE REPORT (CONT'D)

Key information of each Director is set out on pages 15 to 17 of this Annual Report and the dates of their initial appointment and last re-appointment/re-election are set out below:

| Name of Director | Date of initial appointment | Date of last re-appointment/re-election |
|------------------------|-----------------------------|---|
| Jeffrey Hing Yih Peir | 2 February 2009 | 29 May 2020 |
| James Tham Tuck Choong | 15 August 2008 | 28 April 2022 |
| Tung May Fong | 2 May 2008 | 28 April 2022 |
| Leow Ban Tat | 28 April 2015 | 29 May 2020 |
| Winston Kwek Choon Lin | 29 April 2021 | 29 April 2021 |
| Keith Tan Keng Soon | 9 June 2021 | 28 April 2022 |
| Henry Tan Song Kok | 1 July 2021 | 28 April 2022 |

Mr Jeffrey Hing Yih Peir, Mr Leow Ban Tat and Mr Winston Kwek Choon Lin are due for retirement by rotation pursuant to Regulation 92 of the Company's Constitution at the coming 2023 AGM. The NC has reviewed and has recommended that Mr Jeffrey Hing Yih Peir, Mr Leow Ban Tat and Mr Winston Kwek Choon Lin who, being eligible, have offered themselves up for re-election, be re-elected. The Board has accepted the NC's recommendation and is recommending the same for shareholders' approval at the 2023 AGM. Additional information relating to the Directors seeking re-election is set out on pages 142 to 150 of the Annual Report, in accordance with Rule 720(6) of the Listing Manual of the SGX-ST.

Continuous review of Directors' independence

The NC is charged with determining annually, and as and when circumstances require, the independence of each independent Director, having regard to the circumstances set forth in Provision 2.1 of the 2018 Code and Rule 210(5)(d) of the Listing Manual of the SGX-ST.

As described under the section on Board Independence, the Board after taking into consideration the views of the NC, is of the view that Mr Leow Ban Tat, Mr Winston Kwek Choon Lin and Mr Henry Tan Song Kok are independent and that no individual or small group of individuals dominate the Board's decision making.

Directors' time commitments

The NC endeavours to ensure that new directors are aware of their duties and obligations. The NC also decides if a Director is able to and has been adequately carrying out his or her duties as a director of the Company. As part of the assessment of the performance of each individual Director, there is consideration of whether sufficient time and attention has been given by the Director to the affairs of the Company. The NC is satisfied that all Directors were able to and have adequately carried out their duties as a Director of the Company for FY2022.

The NC also believes that contributions from each Director may be reflected in other ways other than the reporting of attendances of each Director at the Board and Board Committees meetings as well as the frequency of such meetings. A Director would have been appointed on the strength of his experience and his potential to contribute to the proper guidance of the Group and its business. To focus on a director's attendance at formal meetings alone may lead to a narrow view of a director's contribution. It may also not do justice to his contributions, which can be in many forms, including Management's access to him for guidance or exchange of views outside the formal environment of the Board.

The listed company directorships and principal commitments of each Director are disclosed on pages 15 to 17 of the Annual Report.

As at 31 December 2022, there is no alternate director on the Board.

Provision 4.4

Provision 4.5

CORPORATE GOVERNANCE REPORT (CONT'D)

BOARD PERFORMANCE

Principle 5: The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its board committees and individual directors.

The NC, has with the approval of the Board, established performance criteria and evaluation procedures for evaluation and assessment of the effectiveness and performance of the Board, the Committees as well as the contribution by the Chairman and for each individual director. The NC evaluates and assesses the effectiveness of the Board taking into consideration appropriate performance criteria and upon its recommendation, the Board makes a formal annual assessment of its effectiveness as a whole, its board committees and each Director.

Provision 5.1

Each Director submits an assessment of the Board and the Board Committees, and a peer assessment of each of the other Directors to assess the contributions by the Chairman and each individual Director to the effectiveness of the Board. These detailed forms assess Directors in various different areas and competencies, including their attendance and contributions at meetings, preparedness for meetings etc. The evaluation of the Board and the Board Committees focus on a set of performance criteria approved by the Board which includes the size and composition of the Board, Board independence, the Board's access to information and Board's accountability, and Board Committee performance in relation to discharging their responsibilities as set out in their respective terms of reference. The responses are collated by the external Company Secretary and a consolidated report is submitted to the Board. The responses are then discussed by the Board to determine the areas for improvement and enhancement of the effectiveness of the Board and its Board Committees.

Provision 5.2

Following the review in FY2022, the Board is of the view that the Board and its Board Committees operate effectively and that each Director is contributing to the overall effectiveness of the Board and its Board Committees.

No external consultant was involved in the Board evaluation process in FY2022.

REMUNERATION MATTERS

PROCEDURES FOR DEVELOPING REMUNERATION POLICIES AND LEVEL AND MIX OF REMUNERATION

Principle 6: The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her own remuneration.

Principle 7: The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the company, taking into account the strategic objectives of the company.

Composition and Role

The RC comprises the following three Directors, all of whom are Non-executive and Independent: -

Winston Kwek Choon Lin (Chairman)
Henry Tan Song Kok
Leow Ban Tat

Provision 1.4
Provision 6.2
Rule 1207(10B)



CORPORATE GOVERNANCE REPORT (CONT'D)

The RC is guided by written terms of reference approved by the Board and its principal responsibilities are:

- (a) reviewing and making recommendations to the Board on:
 - (i) a framework of remuneration for the Board and key management personnel; and
 - (ii) the specific remuneration packages for each Director as well as for the key management personnel,and in doing so the RC considers all aspects of remuneration, including termination terms, to ensure they are fair;
- (b) reviewing the Company's obligations arising in the event of termination of the Executive Directors' and key management personnel's contracts of service;
- (c) where an external remuneration consultant is appointed, reviewing whether the remuneration consultant has any relationship with the Company that could affect his or her independence and objectivity; and
- (d) reviewing annually the remuneration of employees who are substantial shareholders of the Company, or are immediate family members of a Director, the CEO or a substantial shareholder of the Company, and whose remuneration exceeds S\$100,000 during the year.

The RC considers all aspects of remuneration, including termination terms, to ensure they are fair. No Director or member of the RC is involved in deciding his or her own remuneration.

The RC has explicit authority to seek appropriate expert advice in the field of executive compensation outside the Company on remuneration matters when necessary. During the financial year, the RC did not engage the service of an external remuneration consultant.

Remuneration Framework

The Group adopts a remuneration policy for Executive Directors and key management personnel comprising a fixed component and a variable component. The fixed component is in the form of a base salary. The variable component is in the form of a variable bonus that is linked to the performance of the Group and each individual's performance, which is based on the criteria of the respective key performance indicators allocated to the individual. Staff appraisals are conducted at least once a year. The key performance indicators include the Company's profitability and other financial and operational indicators as determined by the Board.

The RC reviews, for recommendation to the Board, the specific remuneration packages of Executive Directors and key management personnel as well as subsequent increments and performance bonuses where these payments are discretionary. There are appropriate and meaningful measures in place for the purposes of assessing the performance of Executives Directors and key management personnel and their respective remuneration packages are based on the performance of the Group and the individual. Each Executive Director has a separate service agreement with the Company and they do not receive Directors' fees.

Independent Non-executive Directors are paid Directors' fees, which consist of a basic retainer fee as director and an additional fee for serving on any of the Board Committees. The fees take into consideration the knowledge and expertise of each individual Independent Non-executive Director, the responsibilities vested upon them and the effort and time commitment required from the Independent Non-executive Directors given the complexities of the business and the business structure.

Provision 6.1

Provision 6.3

Provision 6.4

Provision 7.1

Provision 7.2

CORPORATE GOVERNANCE REPORT (CONT'D)

The Board concurred with the RC that the proposed directors' fees for the year ended 31 December 2022 are appropriate and not excessive, taking into consideration the level of contributions by the Directors and factors such as effort and time spent for serving on the Board and Board Committees, as well as the responsibilities and obligations of the directors. The payment is subject to approval of the shareholders at each AGM. No individual Director is involved in deciding his own remuneration.

In performing its function, the RC endeavours to establish an appropriate remuneration policy to attract, retain and motivate key management personnel and Executive Directors, while at the same time ensuring that the reward in each case takes into account, individual performance as well as corporate performance. The corporate and individual performance-related elements of remuneration are designed to align the interests of Executive Directors and key management personnel with those of shareholders and other stakeholders and to promote the long-term success of the Group.

The Group's remuneration policy is to provide remuneration packages which are appropriate to attract, retain and motivate the Directors to provide good stewardship of the Company and key management personnel to successfully manage the Company and Group for the long term.

The Company does not use any contractual provisions to reclaim incentive components of remuneration from Executive Directors and key management personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Company. The Executive Directors owe a fiduciary duty to the Company and the Company should be able to avail itself of remedies against the Executive Directors in the event of such breach of fiduciary duty.

Except as disclosed in the Directors' Statement and Financial Statements, no material contracts (including loans) of the Company or its subsidiaries involving the interests of the Executive Chairman, Managing Director or any Director or controlling shareholder subsisted at the end of the financial year or had been entered into since the end of the previous financial year.

DISCLOSURE OF REMUNERATION

Principle 8: The company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.

Notwithstanding that it is a variation from Provision 8.1 of the 2018 Code, the Company wishes to disclose the remuneration of the Executive Directors in bands of \$250,000 for FY2022. The Company is of the view that the intent of Principle 8 was met, as the remuneration policies and the procedure for setting remuneration applicable to the Executive Directors are described above, and the level and mix of remuneration is disclosed in the table below.

The Board supports and is aware of the need for transparency. However, after deliberation and debate, the Board is of the view that as the remuneration packages are confidential and sensitive in nature, full disclosure of the specific remuneration of each individual Director and the Group's key management personnel (who are not directors) is not in the best interest of the Company. *Inter alia*, the Board has taken into account the very sensitive nature of the matter, the relative size of the Group, the highly competitive business environment the Group operates in, the competitive pressures in the talent market and the irrevocable negative impact such disclosure may have on the Group and which would place the Group in a competitively disadvantageous position.

Provision 7.3

Provision 8.1(a)



CORPORATE GOVERNANCE REPORT (CONT'D)

Details of remuneration and benefits of Directors and key management personnel for the financial year ended 31 December 2022 which will provide sufficient overview of the remuneration of Directors and key management personnel are set out below:-

| | Directors' Fees* % | Salary % | Bonus % | Other benefits % | Total % |
|--|--------------------|----------|---------|------------------|---------|
| Executive Directors | | | | | |
| Between \$500,000 and \$750,000 | | | | | |
| James Tham Tuck Choong | - | 62 | 33 | 5 | 100 |
| Between \$250,000 and \$500,000 | | | | | |
| Jeffrey Hing Yih Peir | - | 65 | 35 | - | 100 |
| Tung May Fong | - | 71 | 29 | - | 100 |
| Non-Executive Directors | | | | | |
| Below \$100,000 | | | | | |
| Leow Ban Tat | 100 | - | - | - | 100 |
| Winston Kwek Choon Lin | 100 | - | - | - | 100 |
| Henry Tan Song Kok | 100 | - | - | - | 100 |
| Keith Tan Keng Soon | - | - | - | - | - |

* Directors' Fees are subject to shareholders' approval at the AGM to be held on 27 April 2023.

Key Management Personnel

The Company is of the view that the intent of Principle 8 of the 2018 Code was met, as the remuneration policies and the procedure for setting remuneration applicable to the key management personnel of the Company are described above, and the level and mix of remuneration is disclosed below.

Given the challenging industry conditions, the Company's view on the disclosure in aggregate of the total remuneration paid to the top 5 key management personnel (who are not directors or the CEO) are disclosed only in bands of S\$250,000 as such disclosure is not in the best interest of the Company in light of the competitive business environment that the Group operates in as well as the competitive pressures in the talent market.

The Company believes that the remuneration information as disclosed below will be sufficient for shareholders to have an adequate appreciation of the remuneration of the key management personnel and wishes to maintain confidentiality of remuneration in the interest of maintaining good morale and a strong spirit of teamwork within the Group.

The profiles of the top 5 key management personnel are found on pages 18 to 19 of this Annual Report.

| Remuneration Band | No. of Key Management Personnel |
|-------------------|---------------------------------|
| Below \$250,000 | 5 |

Provision 8.1(b)

CORPORATE GOVERNANCE REPORT (CONT'D)

Mr Jeffrey Hing Yih Peir, who is the Executive Chairman, is a substantial shareholder of the Company. His remuneration is as described above.

Provision 8.2

Mr. Tung Tak Wai, who is the brother of Executive Director, Ms. Tung May Fong, is an employee in a managerial position in the Company. His remuneration was between S\$100,000 and \$125,000 for the financial year ended 31 December 2022.

All forms of remuneration and other payments and benefit (if any), paid by the Company and its subsidiaries/ subsidiary companies or subsidiary corporations whose financial statements are consolidated with the Company's financial statements to Directors and key management personnel of the Company are disclosed in the tables above.

Provision 8.3

The Company does not have any employee share option scheme.

Rule 1207(16)

ACCOUNTABILITY & AUDIT RISK MANAGEMENT AND INTERNAL CONTROLS

Principle 9: The Board is responsible for governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the company and its shareholders.

The Board determines the nature and extent of the significant risks which the Company is willing to take in achieving its strategic objectives and value creation and the AC assumes the duties and responsibilities of the risk management function to specifically address these issues. With the assistance of an external consultant, the Group established an Enterprise Risk Management ("ERM") framework to enable the Group to apply a systematic approach to effectively identify, assess, manage, monitor and review the Group's risks, including financial, operational, compliance and information technology controls. To promote risk awareness among employees at all levels, the Group has put in place an ERM policy that elaborates on the ERM framework, process and governance.

Provision 9.1

For the financial year under review, assurance has been received from:

Provision 9.2

- the Managing Director and Finance Director that the financial records have been properly maintained and the financial statements give true and fair view of the Company's operations and finances; and
- the Managing Director and other key management personnel who are responsible regarding the adequacy and effectiveness of the Company's risk management and internal control systems.

The Board recognises the need and is responsible for maintaining a system of internal controls and processes to safeguard shareholders' investments and the Group's assets. The AC monitors the effectiveness of the internal control systems and procedures and risk management systems. During the year, the Board and AC reviewed the effectiveness of the Company's internal control procedures and risk management systems.

The Group promotes the standardisation of policies, processes and control procedures throughout its operations and implemented the SAP Accounting Software System throughout the Group since August 2013.



CORPORATE GOVERNANCE REPORT (CONT'D)

The system of internal controls and risk management established by the Company provides reasonable, but not absolute, assurance that the Group will not be adversely affected by any event that can be reasonably foreseen as it strives to achieve its business objectives. While acknowledging their responsibility for the system of internal controls, the Directors recognise that such a system is designed to manage, rather than eliminate risks, and therefore cannot provide absolute assurance in this regard, or absolute assurance against the occurrence of material errors or mis-statements, poor judgment in decision-making, human error, losses, fraud or other irregularities.

Based on the internal controls established and maintained by the Group, work performed by internal audit team, and reviews performed by Management, the Board, with the concurrence of the AC, is of the opinion that the Group's framework of internal controls (including financial, operational, compliance and information technology controls) and risk management systems are adequate and effective to provide reasonable assurance of the integrity and effectiveness of the Group in safeguarding its assets and shareholders' value.

AUDIT AND RISK COMMITTEE

Principle 10: The Board has an Audit and Risk Committee which discharges its duties objectively.

The AC comprises the following three members, all of whom are Non-executive and Independent Directors:

Henry Tan Song Kok (Chairman)
Winston Kwek Choon Lin
Leow Ban Tat

AC Composition and Role

The profiles of each AC members are set out on pages 16 to 17 of this Annual Report. The Board is of the view that the members of the AC have recent and relevant accounting or related financial management knowledge, expertise and experience to discharge their responsibilities properly.

None of the AC members are former partners or directors of, or have any financial interests in, the Company's existing auditing firm or auditing corporation.

The role of the AC is to assist the Board in overseeing the adequacy of the overall internal control functions, the internal audit functions within the Group, the relationship of those functions to external audit, the scope of audit by the external auditor as well as their independence.

The AC is guided by written terms of reference approved by the Board and its duties include:

- (a) reviewing the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the Company and any announcements relating to the Company's financial performance;
- (b) reviewing at least annually the adequacy and effectiveness of the Company's internal controls and risk management systems;
- (c) reviewing the assurance from the Managing Director and the Finance Director on the financial records and financial statements;

Rule 1207(10)

Provision 1.4
Provision 10.2
Rule 1207(10B)

Provision 10.2

Provision 10.3

Provision 10.1

Provision 10.1

CORPORATE GOVERNANCE REPORT (CONT'D)

- (d) making recommendations to the Board on: (i) the proposals to the shareholders on the appointment and removal of external auditors; and (ii) the remuneration and terms of engagement of the external auditors;
- (e) reviewing the adequacy, effectiveness, independence, scope and results of the Company's external audit;
- (f) reviewing the adequacy, effectiveness, independence, scope and results of the Company's internal audit function;
- (g) reviewing the policy and arrangements for concerns about possible improprieties in financial reporting or other matters to be safely raised, independently investigated and appropriately followed up on;
- (h) deciding on the appointment, termination and remuneration of the head of the internal audit function, as the primary reporting line of the internal audit function is to the AC;
- (i) meeting with the external auditors, and with the internal auditors, in each case without the presence of Management, at least annually;
- (j) reviewing and recommending the nature and extent of the significant risks which the Company is willing to take in achieving its strategic objectives and value creation;
- (k) reviewing any matters relating to suspected fraud or irregularity, or suspected infringement of any Singapore laws or regulations or rules of the SGX-ST or any other regulatory authority in Singapore, which has or is likely to have a material impact on the Company's or Group's operating results and/or financial position, and the findings of any internal investigations, and Management's response thereto, discussing such matters with the external auditor and, at an appropriate time, reporting the matter to the Board;
- (l) carrying out the functions set out in Section 201B of the Companies Act;
- (m) with reference to the Practice Guidance, having explicit authority to investigate any matter within its terms of reference, full access to and co-operation by Management, full discretion to invite any Director or executive officer to attend its meetings, and reasonable resources to enable it to discharge its functions; and
- (n) reporting to the Board the significant issues and judgements that the AC considered in relation to the financial statements, and how these issues were addressed.

The AC has been given full access and obtained the co-operation from the Management of the Company. The AC has the explicit authority to investigate any matter within its terms of reference. It also has full discretion to invite any Director or executive officer to attend its meetings, and reasonable resources to enable it to discharge its functions properly.

Quarterly (where applicable), half year and full year results are reviewed by the AC prior to their submission to the Board as are interested person transactions that fall within the scope of Chapter 9 of the Listing Manual of the SGX-ST.



CORPORATE GOVERNANCE REPORT (CONT'D)

Internal Audit

The primary reporting line of the internal audit function is to the AC, which also approves the hiring, removal, evaluation and compensation of the internal auditors. The internal audit function is outsourced to Crowe Horwath First Trust Risk Advisory Pte Ltd, an external professional firm. They have been tasked to conduct regular audits of internal control systems of the Group's companies, recommend necessary improvements and enhancements, and report to the AC. The AC reviews and approves the annual internal audit plan. The internal auditor has unrestricted access to documents, records and personnel, including the AC and has appropriate standing within the Company.

Provision 10.4

The AC is satisfied that the internal audit function is independent, effective and adequately resourced to perform its function and is staffed by suitably qualified and experienced professionals.

Rule 1207(10C)

The internal audit was carried out in accordance with the Standards for the Professional Practice of Internal Auditing. The internal audit process includes, *inter alia*, the identification of key risk areas and a consideration of the controls managing such risks.

External Auditors

The Company's external auditor is PKF-CAP LLP ("PKF"), an accounting firm registered with ACRA.

The external auditor has full access to the AC which can conduct or authorise investigations into any matters within its terms of reference. Minutes of the AC meetings are regularly submitted to the Board for its information and review.

The AC confirms that it has reviewed the nature and extent of all audit and non-audit services performed by the external auditor in FY2022, to establish if their independence and objectivity had in any way been compromised. PKF did not provide any non-audit services in FY2022. The audit fees payable to PKF for FY2022 are disclosed on page 92 of this Annual Report.

Rule 1207(6)(b)

The AC has also reviewed and confirmed that PKF is a suitable audit firm to meet the Company's audit obligations, having regard to the adequacy of resources and experience of the firm and the assigned audit engagement partner, PKF's other audit engagements, size and complexity of the Penguin Group, the number and experience of supervisory and professional staff assigned to the audit. Accordingly, the AC has recommended to the Board the re-appointment of PKF as External Auditor of the Group for the year ending 31 December 2023. PKF has been engaged to audit the accounts of the Company and its Singapore-incorporated subsidiaries. The accounts of the significant foreign-incorporated subsidiaries are audited by PKF member firms in the respective countries.

Rules 712 and 715

The AC was satisfied that the Company's external auditors and the audit engagement partner assigned to the audit had adequate resources and experience to meet its audit obligations. In this connection, the Company has complied with Rule 712 of the Listing Manual of the SGX-ST.

Rule 712

The Company has also complied with Rule 715 which requires that the same auditing firm of the Company audits its Singapore-incorporated subsidiaries and significant associated companies and that a suitable auditing firm be engaged for its significant foreign-incorporated subsidiaries and associated companies.

Rule 715

CORPORATE GOVERNANCE REPORT (CONT'D)

AC's Activities in FY2022

Provision 1.4 of the Code recommends, *inter alia*, that a summary of the AC's activities be disclosed in the annual report. The AC performs the functions specified in Section 201B of the Act, the Listing Manual of the SGX-ST and the Code. The AC met four times during FY2022. The AC reviewed and approved the internal audit plan for execution.

Provision 1.4

In FY2022, the internal and external auditors conducted audits that involve testing the effectiveness of the material internal controls systems in the Group. Any material non-compliance or lapses in internal controls together with corrective measures recommended by internal and external auditors were reported to the AC.

The AC also reviewed the effectiveness of the measures taken by Management in response to the recommendations made by the internal and external auditors. The systems of internal controls and risk management are continually being refined by Management, the AC and the Board.

The AC has met with the internal and external auditors separately without the presence of Management for the year in review. In addition, updates on changes in accounting standards and treatment are prepared by the external auditor and circulated to the members of the AC periodically for information.

Provision 10.5

Whistle Blowing Policy

The Company has put in place a Whistle-Blowing Policy for the Penguin Group. The Policy serves to encourage and provide a channel for employees, shareholders, clients, consultants, vendors, contractors and sub-contractors to report in good faith and in confidence, without fear of reprisals, concerns about possible improprieties in financial reporting or other matters. The arrangement also ensures independent investigation of such matters and appropriate follow-up actions.

The AC is responsible for oversight and monitoring of whistleblowing and the AC reviews all whistleblowing complaints, if any, at its quarterly meetings to ensure independence, thorough investigation and appropriate follow-up actions are taken. The Company is committed to ensuring that whistle-blowers will be treated fairly, and protected against detrimental or unfair treatment for whistleblowing in good faith. The details of the Whistle-Blowing Policy are available on the Company's website. During FY2022, there was no incident of concern reported to the AC.

Significant financial statement reporting matters

The significant issues considered by the AC in relation to financial statements during the year ended 31 December 2022 are detailed below, alongside the actions taken by the AC to address these issues.

| Significant matters considered | How these issues were addressed by the AC |
|--|---|
| Assessment of impairment of property, plant and equipment | The AC considered the approach and methodology used by management in assessing the fleet of motor launches which was subjected to an impairment test. The AC discussed the above with the external auditors and reviewed the reasonableness of key assumptions and methodologies used by management as well as by the independent valuer, and was satisfied that these were appropriate. |



CORPORATE GOVERNANCE REPORT (CONT'D)

The external auditors have included the assessment of impairment of property, plant and equipment as a key audit matter in their report for the year ended 31 December 2022. This is in pages 57 to 58 of the Annual Report.

Revenue recognition measured based on the input method

The AC considered the approach and methodology applied to the revenue recognition for its shipbuilding contracts which is measured based on the input method to the satisfaction of a performance obligation.

The AC discussed the above with the external auditors and reviewed the reasonableness of estimates and methodology used by management, and was satisfied that these were appropriate.

The external auditors have included revenue recognition using the percentage-of-completion method as a key audit matter in their report for the year ended 31 December 2022. This is in page 58 of the Annual Report.

Assessment of impairment of trade receivables

The AC considered the approach and methodology used by management in assessing the collectability of its trade receivables based on credit loss model to determine if impairment of any of its trade receivables will be required.

The AC discussed the above with the external auditors and reviewed the reasonableness of key assumptions and methodologies used by management and was satisfied that these were appropriate.

The external auditors have included the assessment of impairment of trade receivables as a key audit matter in their report for the year ended 31 December 2022. This is in page 59 of the Annual Report.

Assessment of tax recoverable

In assessing the additional tax assessed on the overseas subsidiary for the years 2018 and 2019, the AC considered Management's approach and assumptions as well as the advice from the subsidiary's external tax professional firm.

The AC discussed the above with the external auditors and reviewed the reasonableness of key assumptions and the approach adopted by management including counsel from external tax professional firm who has advised that it has become virtually certain that an inflow of economic benefits will arise in respect of the recoverability of the tax paid to the tax authorities, and accordingly the tax recoverable is recognised.

The external auditors have included their assessment of tax recoverable as a key audit matter in their report for the year ended 31 December 2022. This is at page 59 of the Annual Report.

CORPORATE GOVERNANCE REPORT (CONT'D)

SHAREHOLDERS' RIGHTS AND ENGAGEMENT

SHAREHOLDER RIGHTS, CONDUCT OF SHAREHOLDERS MEETINGS

Principle 11: The company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the company. The company gives shareholders a balanced and understandable assessment of its performance, position and prospects.

Conduct of General Meetings and Interaction with Shareholders

This section describes Penguin's usual practice for the conduct of general meeting prior to the onset of the Covid-19 pandemic in early 2020.

Provision 11.1

The Company provides shareholders with the opportunity to participate effectively in and vote at general meetings of shareholders. All shareholders are informed through notices of general meetings sent by post and such notices are also advertised in the Business Times and made available on the SGX-ST's website.

All registered shareholders of the Company are invited and encouraged to attend and vote at general meetings. At the general meeting, shareholders have the opportunity to vote in person or by proxy and will be informed of voting procedures.

Participation of shareholders is encouraged at the AGM through the open question and answer session. The Directors and Management will be available to address any queries or concerns on matters relating to the Company and the external auditor will also be present to address shareholders' queries about the conduct of audit and the preparation and content of the auditor's report.

Provision 11.1

Provision 11.3

The Board has developed several channels, such as the Group's website, email or fax, for shareholders who are not able to attend the AGM to contribute their feedback and inputs regarding the Company and its operations.

Every matter requiring shareholders' approval is proposed as a separate resolution on each substantially separate issue unless the issues are interdependent and linked so as to form one significant proposal. Where resolutions are "bundled" the Company will explain the reasons and material implications in the notice of meeting. Each item of special business included in the notice of meeting is accompanied, where appropriate, by an explanation for the proposed resolution. Proxy forms are sent with the Notice of meeting to all shareholders. Except for a shareholder who is a Relevant Intermediary as defined under Section 181(6) of the Act, a shareholder may appoint up to two proxies to attend and vote on his behalf at the general meeting through proxy forms deposited 72 hours before the meeting.

Provision 11.2

As authentication of shareholder identity information is a concern, the Company has decided, for the time being, not to implement voting in absentia by mail, facsimile or email. The Company will take into account measures and legislations that may be introduced by the relevant authorities as a result of the current environment in formulating the framework and procedures to effect additional methods of voting.

Provision 11.4

To promote greater transparency and effective participation, the Company conducts the voting of all its resolutions by poll at all general meetings. Upon the conclusion of the general meetings, the detailed voting results, including the total number of votes cast for or against each resolution tabled, are announced at the general meetings and via SGX-ST's website.



CORPORATE GOVERNANCE REPORT (CONT'D)

The Company does not generally publish minutes of general meetings or shareholders on its corporate website. There are potential adverse implications for the Company if the minutes of general meetings are published to the public at large (outside the confines of a shareholders' meeting) including disclosure of sensitive information to the Group's competitors. Further, shareholders, including those who did not attend the relevant general meeting, have a right to be furnished copies of minutes of general meeting pursuant to Section 189 of the Act. Accordingly, the Company is of the view that its position is consistent with the intent of Principle 11 of the 2018 Code as shareholders are treated fairly and equitably by the Company.

Conduct of AGM in 2022 amidst the current Covid-19 pandemic

In view of the COVID-19 situation in Singapore in FY2022, the AGM of the Company held on 28 April 2022 (the "2022 AGM") was convened and held by electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020 (the "Order") and shareholders were not able to attend the AGM in person. Alternative arrangements relating to the 2022 AGM held by electronic means were in place.

Shareholders were invited to participate in the virtual 2022 AGM by (a) observing and/or listening to the proceedings via live-audio webcast and (b) submitting questions in advance of the 2022 AGM and (c) appointing the Chairman of the Meeting as proxy to attend, speak and vote on their behalf at the 2022 AGM.

The entire Board was present at the 2022 AGM. Whilst the Executive Directors were present in person, the Independent Directors attended the 2022 AGM remotely.

In compliance with the checklist jointly issued by the ACRA, the Monetary Authority of Singapore and Singapore Exchange Regulation which provides further guidance to listed and non-listed entities on the conduct of general meetings, the Company published the minutes of the 2022 AGM on SGXNET and the Company's corporate website, including responses to questions raised by shareholders in advance of the 2022 AGM.

Conduct of AGM in 2023

The forthcoming AGM of the Company to be held in respect of FY2022 on 27 April 2023 will also be held by way of electronic means pursuant to the Order and the Company will not publish the notice of AGM ("Notice") in the newspaper or despatch the annual report and related documents to Shareholders for the upcoming AGM. In line with the Regulator's Column dated 23 May 2022, general meetings which are conducted virtually on or after 1 October 2022 and annual general meetings for financial years ending 30 June 2022 onwards, will need to provide both (i) real-time electronic voting and (ii) real-time electronic communication.

As the AGM will be held by way of electronic means, shareholders will not be able to attend the AGM in person, but will be able to participate at our virtual 2023 AGM by observing and/or listening to the 2023 AGM proceedings via live-audio webcast or live audio-only stream. Shareholders who wish to vote on any or all of the resolutions of the AGM may vote "live" via electronic means at the AGM or by appointing proxy(ies) or the Chairman of the AGM to vote on their behalf at the AGM. Shareholders may (i) submit questions related to the resolutions to be tabled at the forthcoming AGM in advance of the lodgement of the proxy forms for the AGM; or (ii) submit text-based questions during the AGM, in accordance with the instructions set out in the Notice. The Board and Management will address relevant and substantial questions received within reasonable timelines. Please refer to the Notice dated 6 April 2023 for more information.

Provision 11.5

CORPORATE GOVERNANCE REPORT (CONT'D)

Dividend Policy

The Company has not formally instituted a dividend policy. In proposing any dividend payout and/or determining the form, frequency and/or the amount of such dividend payout, the Board will take into account, *inter alia*, the Group's financial position, retained earnings, results of operations and cash flows, the ability of the Company's subsidiaries to make dividend payments to the Company, the Group's expected working capital requirements, the Group's expected capital expenditure and future expansion and investment plans and other funding requirements, general economic conditions and other internal or external factors that may have an impact on the business or financial performance and position of the Group.

The Board endeavours to maintain a balance between meeting shareholders' expectations and prudent capital management with a sustainable dividend policy. The Board will continually review the dividend policy and reserves the right in its sole and absolute discretion to update, amend, modify and/or cancel the dividend policy at any time. The declaration and payment of any dividend will be recommended by the Directors and the final dividend (if any) will be subject to approval by shareholders.

ENGAGEMENT WITH SHAREHOLDERS

Principle 12: The company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the company.

Communication with shareholders and the investment community is maintained through regular dissemination of information such as announcements on half-yearly and full year results, press releases on the SGXNet and the Company's corporate website. To facilitate shareholders' ownership rights, the Company ensures that all material information is disclosed in a comprehensive, accurate and timely basis via SGXNET especially information pertaining to the Company's business development and financial performance which could have a material impact on the price or value of its shares so as to enable shareholders to make informed decisions in respect of their investments in the Company.

Although the Company does not have an investor relations policy, it has an Investor Relations Section on its corporate website where shareholders and other stakeholders may contact the Company with feedback or questions and there are procedures in place for following up and responding to stakeholders' queries as soon as applicable.

The Company values dialogue with its shareholders and believes in regular, effective and fair communication with its shareholders and is committed to hearing shareholders' views and addressing their concerns where possible.

General meetings have been and are still the principal forum for dialogue with shareholders. Shareholders' views are sought at general meetings and shareholders are given the opportunity to air their views and ask the Directors and management questions regarding the Company and the Group.

The Company is committed to treating all shareholders fairly and equitably and keep all shareholders and other stakeholders informed of its corporate activities, including changes in the Company or its business which would be likely to materially affect the price or value of its shares on a timely basis.

Provision 11.6

Provision 12.1

Provision 12.2

Provision 12.3

Provision 11.5



CORPORATE GOVERNANCE REPORT (CONT'D)

MANAGING STAKEHOLDERS RELATIONSHIPS ENGAGEMENT WITH STAKEHOLDERS

Principle 13: The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the company are served.

The Company values input from all of its stakeholder groups and uses a variety of channels and platforms to engage with them as well as receive their feedback. The Company identifies stakeholders as groups that have an impact or have the potential to be impacted by its business, as well as those external organisations that have expertise in aspects that the Company considers material.

The Company's efforts on sustainability are focussed on creating sustainable value for our key stakeholders, which include communities, customers, staff, regulators, shareholders and vendors. More details are set out in the standalone Sustainability Report for FY2022 that will be released on SGXNET on 6 April 2023.

The Company does not practice selective disclosure of material information. Price sensitive information is always announced to the SGX-ST through SGXNET after trading hours and in a timely manner. Financial results and annual reports are announced or issued to the SGX-ST within the mandatory periods and the annual reports are also made available on the Company's website – www.penguin.com.sg. The Company's website is updated regularly and contains various information on the Company and the Group and serves as an important resource for investors and all stakeholders.

OTHER CORPORATE GOVERNANCE MATTERS

DEALINGS IN SECURITIES

The Group has put in place an internal compliance code (the "Compliance Code") which prohibits dealings in the securities of the Company by the Company, Directors and employees while in possession of unpublished material price-sensitive information, and during the period beginning one month before the announcement of the half year and full year financial statements results and ending on the date of the announcement.

The Compliance Code discourages all the Directors and employees of the Group to deal in securities on short-term considerations. Directors are required to report securities dealings within two business days of such dealings, to the Company Secretary, who will assist to make the necessary announcements via the SGXNET.

Directors and all officers are cautioned to observe insider trading regulations at all times.

MATERIAL CONTRACTS

Save as disclosed below, there were no material contracts of the Company or any of its subsidiaries involving the interest of any Director or controlling shareholder, either still subsisting at the end of the financial year or if not then subsisting, entered into since the end of the previous financial year.

Provision 13.1

Provision 13.2

Provision 13.3

Rule 1207(19)(A)
and (C)

Rule 1207(19)(B)

Rule 1207(8)

CORPORATE GOVERNANCE REPORT (CONT'D)

INTERESTED PERSON TRANSACTIONS

The Group has established procedures to ensure that transactions with interested persons are undertaken on an arm's length basis and on normal commercial terms. The AC reviews on a quarterly basis all interested persons transactions including transactions authorising the Group to enter into certain interested persons transactions with Mr Jeffrey Hing Yih Peir and his associates to ensure that the prevailing Rules and regulations of the SGX-ST (in particular Chapter 9 of the SGX-ST Listing Manual) are complied with.

Rule 1207(17)
1207(18)

The Group does not currently have in place a general mandate for interested person transactions. There were no interested person transactions of \$100,000 or more in FY2022.

OTHER DISCLOSURE REQUIREMENTS

There are no material developments after the preliminary announcement that would affect the performance of the Group.

CORPORATE SOCIAL RESPONSIBILITY

In the introduction to the 2018 Code, it is stated that companies that embrace the tenets of good governance, including accountability, transparency and sustainability, are more likely to engender investor confidence and achieve long-term sustainable business performance. The Board strives to align the Group's strategic policies and practices with leading standards in the Environmental, Social and Governance (ESG) themes. Details of the Group's sustainability practices, including the corporate social responsibility initiatives during FY2022 and material ESG factors, are set out in the Company's stand-alone Sustainability Report that will be released on SGXNET on 6 April 2023.



DIRECTORS' STATEMENT

The Directors are pleased to present their statement to the members together with the audited consolidated financial statements of Penguin International Limited (the "Company") and its subsidiaries (collectively, the "Group") and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2022.

OPINION OF THE DIRECTORS

In the opinion of the Directors,

- (a) the consolidated financial statements of the Group, and the balance sheet and statement of changes in equity 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 31 December 2022 and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date; and
- (b) 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.

DIRECTORS

The Directors of the Company in office at the date of this statement are:

Jeffrey Hing Yih Peir
James Tham Tuck Choong
Tung May Fong
Winston Kwek Choon Lin
Henry Tan Song Kok
Leow Ban Tat
Keith Tan Keng Soon

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose object is, to enable the Directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

DIRECTORS' STATEMENT (CONT'D)

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The Director, who held office at the end of the financial year, had, according to the register of directors' shareholdings required to be kept under Section 164 of the Singapore Companies Act 1967, an interest in shares and share options of the Company and related corporations (other than wholly-owned subsidiaries), as stated below:

| Name of Director | Held in the name of Director | | | Deemed interest | | |
|--|------------------------------------|----------------------------------|--------------------|------------------------------------|----------------------------------|--------------------|
| | At the beginning of financial year | At the end of the financial year | At 21 January 2023 | At the beginning of financial year | At the end of the financial year | At 21 January 2023 |
| The Company | | | | | | |
| Penguin International Limited (Ordinary shares) | | | | | | |
| Jeffrey Hing Yih Peir | – | – | – | 176,240,539 | 176,240,539 | 176,240,539 |

By virtue of Section 7 of the Companies Act 1967, Jeffrey Hing Yih Peir is deemed to have an interest in the ordinary shares of all the subsidiary companies at the beginning and at the end of the financial year.

Except as disclosed in this statement, no Director who held office at the end of the financial year had interests in shares, share options, warrants or debentures of the Company, or of related corporations, either at the beginning of the financial year, or at date of appointment if later, or at the end of the financial year.

OPTIONS

No options to take up unissued shares of the Company or its subsidiaries were granted and no shares were issued by virtue of the exercise of options to take up unissued shares of the Company or its subsidiaries. There were no other unissued shares in the Company or its subsidiaries under option at the end of the financial year.

AUDIT COMMITTEE

The Audit Committee carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act 1967. The functions performed are detailed in the Report on Corporate Governance.



DIRECTORS' STATEMENT (CONT'D)

AUDITOR

The auditor, PKF-CAP LLP, has expressed its willingness to accept re-appointment.

On behalf of the Board of Directors,

James Tham Tuck Choong
Director

Tung May Fong
Director

20 March 2023

INDEPENDENT AUDITOR'S STATEMENT

For the financial year ended 31 December 2022

Independent Auditor's Report to the Members of Penguin International Limited

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Penguin International Limited (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the balance sheets of the Group and the Company as at 31 December 2022, the statements of changes in equity of the Group and the Company and the consolidated income statement, consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 62 to 131.

In our opinion, the accompanying consolidated financial statements of the Group, the balance sheet and the statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act 1967 (the Act) and Singapore Financial Reporting Standards (International) ("SFRS(I)s") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2022 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the Auditor's 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 for our opinion.

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 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled our responsibilities described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Assessment of impairment of property, plant and equipment

The carrying amount of the Group's motor launches as at 31 December 2022 amounted to approximately \$105 million. We have reviewed the impairment loss at Group level and noted that no further impairment or reversal of impairment was made for the year ended 31 December 2022. We identified this as a key audit matter as the estimation of the recoverable amount involved significant management judgement and estimation.

Management assessed the recoverable amount of the motor launches based on the fair value less costs to sell. The fair value less costs to sell is determined either by the indicative values based on advice from the independent valuer or by reference to the recent selling prices of motor launches contracted for sale.



INDEPENDENT AUDITOR'S STATEMENT (CONT'D)

For the financial year ended 31 December 2022

Independent Auditor's Report to the Members of Penguin International Limited

Key Audit Matters (cont'd)

Assessment of impairment of property, plant and equipment (cont'd)

We designed our audit procedures to be responsive to this risk. As part of our audit:

- We performed an evaluation of the Group's policies and procedures to identify indicators for potential impairment of motor launches.
- Ensured that management's impairment assessment covered those motor launches with indicators of impairment.
- For motor launches where the fair value less costs to sell was determined based on the estimated disposal value provided by an independent valuer, we evaluated the work of the independent valuer, considering the independence, objectivity and expertise of the independent valuer, as well as the appropriateness of the valuation methodology and reasonableness of the assumptions used by the independent valuer.
- For motor launches where the fair value less costs to sell was determined with reference to the recent selling prices of motor launches contracted for sale, we assessed the comparability of motor launches to those motor launches contracted for sale.
- We also assessed the adequacy of the disclosure in the financial statements.

Revenue recognition measured based on the input method

During the year, the Group's shipbuilding revenue amounting to approximately \$35 million is recognised over time using the input method to measure the progress of satisfaction of the performance obligation.

The determination of the progress towards complete satisfaction of the performance obligation over time involved significant management judgement and estimates as these shipbuilding contracts were measured by reference to the actual completion rate based on actual inputs at reporting date over expected total inputs required to complete the project to derive the progress of the contract work completed.

Given the magnitude of the amount and that the determination of total expected inputs to satisfy the performance obligation required significant management judgement and estimates, we have identified this as a key audit matter.

We designed our audit procedures to be responsive to this risk. As part of our audit:

- We have reviewed the shipbuilding contracts recognised over time entered into by the Group in assessing the performance obligations identified by management and the satisfaction of those performance obligations.
- We have re-computed revenue recognised for the current financial year based on the respective progress of the entity in satisfying the performance obligation of the contract and traced these to the accounting records.
- We evaluated the appropriateness of management's estimation process for the percentage completed at the reporting date through the following:
 - a) We considered the level of competency, expertise and objectivity of the management personnel who performed the assessment;
 - b) We assessed the objectiveness of the criteria employed by management in measuring the level of completion of the relevant activities;
 - c) We tested the inputs used by management in determining the level of completion of the relevant activities of the shipbuilding contracts recognised over time;
 - d) We tested the expected total inputs to the approved budget and subsequent revisions made throughout the project.
- We considered the adequacy of the Group's disclosures in respect of revenue from shipbuilding contracts recognised over time.

INDEPENDENT AUDITOR'S STATEMENT (CONT'D)

For the financial year ended 31 December 2022

Independent Auditor's Report to the Members of Penguin International Limited

Key Audit Matters (cont'd)

Assessment of impairment of trade receivables

The trade receivables of the Group as at 31 December 2022 amounted to approximately \$35 million. Management has performed an impairment review based on the expected credit loss ("ECL") model and based on the review, there is no additional impairment required on trade receivables.

We identified this as a key audit matter as the assessment of the determination of ECL requires management to exercise significant judgement and estimation. In determining the credit quality and whether any significant increase in credit risk occurs, the standard requires both forward-looking and historical information to be considered.

We designed our audit procedures to be responsive to this risk. As part of our audit:

- We performed an evaluation of the Group's policies and procedures in assessing impairment of financial assets.
- We evaluated the impairment assessment performed by management through the following:
 - a) We assessed the credit risks of the debtors by analysing the payment history and receipts subsequent to year end of selected debtors and considered events or indicators which resulted in increase in credit risk of those debtors;
 - b) We evaluated the Group's parameters and assumptions used in the collective impairment model, and compared them with observable economic data, market information and industry trends.
- We discussed with management and scrutinised the appropriateness of those key assumptions applied in management's impairment assessment, and compared them with available external evidence where appropriate. We also applied sensitivity testing of the underlying key assumptions.
- We also evaluated the adequacy of disclosure in the financial statements.

Assessment of tax recoverable

An overseas subsidiary of the Group has received notices of tax assessments following tax audits carried out on the subsidiary for the years 2018 and 2019. An additional tax payable of S\$2.3 million was required based on the tax assessments received. The foreign subsidiary has paid the additional tax amount in FY2022.

Based on the advice from the subsidiary's external tax professional firm, management believes that it has become virtually certain that an inflow of economic benefits will arise in respect of the recoverability of the above tax paid to the tax authorities, and accordingly the tax recoverable is recognised in the financial statements as disclosed in Note 19.

We designed our audit procedures to be responsive to this risk. As part of our audit:

- We have inquired management and the representatives of the subsidiary's external tax professional to understand the basis of their evaluation and assessment of the probability and magnitude of the tax recoverable relating to the tax appeal, and on the conclusion reached in accordance with SFRS(I) 1-37 – Provisions, Contingent Liabilities and Contingent Assets.
- We have obtained and reviewed the notice of tax assessments issued to the subsidiary by the tax authorities;
- We have reviewed the audit working papers and discussed with the component auditor on its evaluation and conclusion reached in relation to this matter; and
- We have assessed the adequacy of the disclosure in the financial statements.



INDEPENDENT AUDITOR'S STATEMENT (CONT'D)

For the financial year ended 31 December 2022

Independent Auditor's Report to the Members of Penguin International Limited

OTHER INFORMATION

Management is responsible for other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do 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 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, 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 SFRS(I)s, and for devising and maintaining a system of internal accounting controls sufficient to provide a 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.

Auditor's 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 auditor's 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 SSAs 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 financial statements.

As part of an audit in accordance with SSAs, 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

INDEPENDENT AUDITOR'S STATEMENT (CONT'D)

For the financial year ended 31 December 2022

Independent Auditor's Report to the Members of Penguin International Limited

Auditor's Responsibilities for the Audit of the Financial Statements (cont'd)

- 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 auditor's 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 auditor's 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 auditor's 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 of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Lee Eng Kian.

PKF-CAP LLP

Public Accountants and
Chartered Accountants

Singapore

20 March 2023



CONSOLIDATED INCOME STATEMENT

For the financial year ended 31 December 2022

| | Note | 2022 \$'000 | 2021 \$'000 |
|--|------|----------------|----------------|
| Revenue | 4 | 135,227 | 132,649 |
| Cost of sales | | (99,311) | (95,470) |
| Gross profit | | 35,916 | 37,179 |
| Other income | 5 | 9,239 | 7,311 |
| Marketing and distribution costs | | (611) | (239) |
| Administrative expenses | 6 | (20,759) | (20,728) |
| Other operating expenses | 7 | (10,116) | (8,346) |
| Reversal/(impairment) loss on trade receivable | | 336 | (240) |
| Results from operating activities | | 14,005 | 14,937 |
| Finance costs | 8 | (600) | (501) |
| Finance income | 8 | 1,223 | 476 |
| Profit before tax | 10 | 14,628 | 14,912 |
| Income tax expense | 11 | (4,074) | (2,244) |
| Profit for the year | | 10,554 | 12,668 |
| Attributable to: | | | |
| Owners of the Company | | 10,555 | 12,669 |
| Non-controlling interests | | (1) | (1) |
| Profit for the year | | 10,554 | 12,668 |
| Earnings per share (cents per share) | | | |
| - Basic | 12 | 4.79 | 5.75 |
| - Diluted | 12 | 4.79 | 5.75 |

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2022

| | 2022 \$'000 | 2021 \$'000 |
|--|----------------|----------------|
| Profit for the year | 10,554 | 12,668 |
| Other comprehensive (loss)/income: | | |
| Items that may be reclassified subsequently to profit or loss | | |
| Net effect of exchange differences arising from quasi capital loan to subsidiaries (Note 31) | (3,511) | 1,226 |
| Foreign currency translation | 730 | (45) |
| | (2,781) | 1,181 |
| Items that will not be reclassified subsequently to profit or loss | | |
| Changes in fair value of equity investment at FVOCI (Note 15) | 3,400 | 3,400 |
| | 3,400 | 3,400 |
| Other comprehensive income for the year, net of tax | 619 | 4,581 |
| Total comprehensive income for the year | 11,173 | 17,249 |
| Attributable to: | | |
| Owners of the Company | 11,174 | 17,250 |
| Non-controlling interests | (1) | (1) |
| Total comprehensive income for the year | 11,173 | 17,249 |

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.



BALANCE SHEETS

As at 31 December 2022

| | Note | Group | | Company | |
|------------------------------------|------|----------------|----------------|----------------|----------------|
| | | 2022 \$'000 | 2021 \$'000 | 2022 \$'000 | 2021 \$'000 |
| Non-current assets | | | | | |
| Property, plant and equipment | 13 | 153,447 | 108,951 | 94 | 525 |
| Right-of-use assets | 27 | 7,459 | 8,028 | – | 150 |
| Investment in subsidiaries | 14 | – | – | 15,518 | 19,571 |
| Loan to a subsidiary | 20 | – | – | 84,340 | 70,837 |
| Other investments | 15 | 9,957 | 6,557 | 9,957 | 6,557 |
| Intangible asset | 16 | 78 | 78 | – | – |
| Trade receivables | 18 | 13,814 | 18,096 | – | – |
| Other receivables | 19 | 3,669 | 1,507 | – | – |
| | | 188,424 | 143,217 | 109,909 | 97,640 |
| Current assets | | | | | |
| Inventories | 17 | 68,588 | 46,255 | – | – |
| Trade receivables | 18 | 21,189 | 20,621 | 5,233 | 2,204 |
| Other receivables and deposits | 19 | 19,492 | 11,233 | 238 | 169 |
| Contract assets | 25 | 4,543 | 6,325 | – | 5,398 |
| Prepayments | | 754 | 824 | 129 | 180 |
| Derivatives | | 487 | 35 | 487 | 35 |
| Loans to subsidiaries | 20 | – | – | 72,263 | 53,507 |
| Fixed deposits | 21 | 2,453 | 2,264 | – | – |
| Cash and bank balances | 21 | 12,525 | 18,777 | 1,351 | 4,674 |
| | | 130,031 | 106,334 | 79,701 | 66,167 |
| Assets classified as held for sale | 13 | – | 7,267 | – | – |
| | | 130,031 | 113,601 | 79,701 | 66,167 |
| Current liabilities | | | | | |
| Trade payables | 22 | 31,664 | 11,854 | 7 | 82 |
| Other payables and accruals | 23 | 37,441 | 21,207 | 2,262 | 2,018 |
| Provisions | 24 | 701 | 1,031 | – | 491 |
| Contract liabilities | 25 | 9,388 | 2,717 | 712 | 442 |
| Derivatives | | 49 | – | 49 | – |
| Provision for income tax | | 2,441 | 1,801 | 256 | 458 |
| Lease liabilities | 27 | 680 | 827 | – | 150 |
| Term loans | 26 | 7,994 | 6,603 | 7,994 | 6,603 |
| Deposits from subsidiaries | 20 | – | – | 22,644 | 10,547 |
| | | 90,358 | 46,040 | 33,924 | 20,791 |
| Net current assets | | 39,673 | 67,561 | 45,777 | 45,376 |

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

BALANCE SHEETS (CONT'D)

As at 31 December 2022

| | Note | Group | | Company | |
|--------------------------------|------|----------------|----------------|----------------|----------------|
| | | 2022 \$'000 | 2021 \$'000 | 2022 \$'000 | 2021 \$'000 |
| Non-current liabilities | | | | | |
| Deferred tax liabilities | 29 | 4,841 | 2,743 | 381 | 15 |
| Provisions | 24 | 2,244 | 154 | – | – |
| Lease liabilities | 27 | 7,009 | 7,366 | – | – |
| Term loans | 26 | 15,900 | 8,631 | 15,900 | 8,631 |
| | | 29,994 | 18,894 | 16,281 | 8,646 |
| Net assets | | 198,103 | 191,884 | 139,405 | 134,370 |
| Share capital | 30 | 94,943 | 94,943 | 94,943 | 94,943 |
| Retained earnings | | 110,458 | 104,857 | 42,505 | 40,870 |
| Other reserves | 31 | (7,292) | (7,911) | 1,957 | (1,443) |
| | | 198,109 | 191,889 | 139,405 | 134,370 |
| Non-controlling interests | | (6) | (5) | – | – |
| Total equity | | 198,103 | 191,884 | 139,405 | 134,370 |

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.



STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2022

| | Attributable to owners of the Company | | | | Non-controlling interests | Total equity |
|--|---------------------------------------|----------------|-------------------|-----------|---------------------------|--------------|
| | Share capital | Other reserves | Retained earnings | Sub-total | | |
| | \$'000 | \$'000 | \$'000 | \$'000 | | |
| Group | | | | | | |
| 2022 | | | | | | |
| Opening balance as at 1 January 2022 | 94,943 | (7,911) | 104,857 | 191,889 | (5) | 191,884 |
| Profit for the year | – | – | 10,555 | 10,555 | (1) | 10,554 |
| <u>Other comprehensive income</u> | | | | | | |
| Net effect of exchange differences arising from quasi capital loan to subsidiaries | – | (3,511) | – | (3,511) | – | (3,511) |
| Foreign currency translation | – | 730 | – | 730 | – | 730 |
| Change in fair value of equity investment at FVOCI | – | 3,400 | – | 3,400 | – | 3,400 |
| Other comprehensive income for the year, net of tax | – | 619 | – | 619 | – | 619 |
| Total comprehensive income for the year | – | 619 | 10,555 | 11,174 | (1) | 11,173 |
| <u>Contributions by and distributions to owners</u> | | | | | | |
| Dividends paid | – | – | (4,954) | (4,954) | – | (4,954) |
| Total contributions by and distributions to owners | – | – | (4,954) | (4,954) | – | (4,954) |
| Closing balance at 31 December 2022 | 94,943 | (7,292) | 110,458 | 198,109 | (6) | 198,103 |

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY (CONT'D)

For the financial year ended 31 December 2022

| | Attributable to owners of the Company | | | | Non-controlling interests | Total equity |
|--|---------------------------------------|----------------|-------------------|-----------|---------------------------|--------------|
| | Share capital | Other reserves | Retained earnings | Sub-total | | |
| | \$'000 | \$'000 | \$'000 | \$'000 | | |
| Group | | | | | | |
| 2021 | | | | | | |
| Opening balance as at 1 January 2021 | 94,943 | (12,492) | 92,188 | 174,639 | (4) | 174,635 |
| Profit for the year | – | – | 12,669 | 12,669 | (1) | 12,668 |
| <u>Other comprehensive income</u> | | | | | | |
| Net effect of exchange differences arising from quasi capital loan to subsidiaries | – | 1,226 | – | 1,226 | – | 1,226 |
| Foreign currency translation | – | (45) | – | (45) | – | (45) |
| Change in fair value of equity investment at FVOCI | – | 3,400 | – | 3,400 | – | 3,400 |
| Other comprehensive income for the year, net of tax | – | 4,581 | – | 4,581 | – | 4,581 |
| Total comprehensive income for the year | – | 4,581 | 12,669 | 17,250 | (1) | 17,249 |
| Closing balance at 31 December 2021 | 94,943 | (7,911) | 104,857 | 191,889 | (5) | 191,884 |

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.



STATEMENTS OF CHANGES IN EQUITY (CONT'D)

For the financial year ended 31 December 2022

| | Share capital \$'000 | Other reserve \$'000 | Retained earnings \$'000 | Total equity \$'000 |
|---|-------------------------|-------------------------|-----------------------------|------------------------|
| Company | | | | |
| 2022 | | | | |
| Opening balance at 1 January 2022 | 94,943 | (1,443) | 40,870 | 134,370 |
| Profit for the year | – | – | 6,589 | 6,589 |
| <u>Other comprehensive income</u> | | | | |
| Change in fair value of equity investment at FVOCI | – | 3,400 | – | 3,400 |
| Total comprehensive income for the year | – | 3,400 | 6,589 | 9,989 |
| <u>Contributions by and distributions to owners</u> | | | | |
| Dividends paid | – | – | (4,954) | (4,954) |
| Total contributions by and distributions to owners | – | – | (4,954) | (4,954) |
| Closing balance at 31 December 2022 | 94,943 | 1,957 | 42,505 | 139,405 |

STATEMENTS OF CHANGES IN EQUITY (CONT'D)

For the financial year ended 31 December 2022

| | Share capital \$'000 | Other reserve \$'000 | Retained earnings \$'000 | Total equity \$'000 |
|--|-------------------------|-------------------------|-----------------------------|------------------------|
| Company | | | | |
| 2021 | | | | |
| Opening balance at 1 January 2021 | 94,943 | (4,843) | 30,846 | 120,946 |
| Profit for the year | – | – | 10,024 | 10,024 |
| <u>Other comprehensive income</u> | | | | |
| Change in fair value of equity investment at FVOCI | – | 3,400 | – | 3,400 |
| Total comprehensive income for the year | – | 3,400 | 10,024 | 13,424 |
| Closing balance at 31 December 2021 | 94,943 | (1,443) | 40,870 | 134,370 |

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.



CONSOLIDATED CASH FLOW STATEMENT

For the financial year ended 31 December 2022

| | Note | 2022 \$'000 | 2021 \$'000 |
|---|------|----------------|----------------|
| Operating activities | | | |
| Profit before tax | | 14,628 | 14,912 |
| Adjustments for: | | | |
| Depreciation of property, plant and equipment and right-of-use assets | | 12,332 | 11,935 |
| Gain on disposal of property, plant and equipment | | (3,576) | (3,705) |
| Property, plant and equipment and inventory written off | | 147 | 64 |
| Interest expense | | 545 | 439 |
| Interest income | | (1,223) | (476) |
| (Reversal)/impairment loss on trade receivable | | (336) | 240 |
| Impairment on inventories | | – | 126 |
| Provision for employee retirement benefits | | 24 | (9) |
| Net fair value gain on derivatives | | (403) | (35) |
| Reversal of restoration cost on leased land | | (172) | (1,500) |
| Provision for warranty claims on shipbuilding contracts, net | | 468 | 357 |
| Currency alignment | | (1,098) | 63 |
| | | <hr/> | <hr/> |
| Operating cash flows before changes in working capital | | 21,336 | 22,411 |
| Inventories | | (32,889) | 116 |
| Trade receivables | | 4,050 | (28,837) |
| Other receivables, deposits and prepayments | | (9,537) | 1,928 |
| Contract assets | | 1,782 | (4,630) |
| Trade payables | | 19,810 | (6,913) |
| Other payables and accruals | | 16,234 | (1,102) |
| Provisions | | (626) | 87 |
| Contract liabilities | | 6,671 | 1,941 |
| Deferred income, including government grant | | – | (500) |
| | | <hr/> | <hr/> |
| Cash flows generated from/(used in) operations | | 26,831 | (15,499) |
| Interest paid | | (545) | (439) |
| Interest received | | 1,223 | 476 |
| Income taxes paid, net | | (2,089) | (2,180) |
| | | <hr/> | <hr/> |
| Net cash flows generated from/(used in) operating activities | | 25,420 | (17,642) |

CONSOLIDATED CASH FLOW STATEMENT (CONT'D)

For the financial year ended 31 December 2022

| | Note | 2022 \$'000 | 2021 \$'000 |
|--|------|----------------|----------------|
| Investing activities | | | |
| Proceeds from disposal of property, plant and equipment | | 14,338 | 13,263 |
| Additions to property, plant and equipment | | (48,060) | (23,862) |
| | | <hr/> | <hr/> |
| Net cash flows used in investing activities | | (33,722) | (10,599) |
| Financing activities | | | |
| Proceeds from term loans | | 11,159 | 12,237 |
| Repayment of term loans | | (2,500) | (1,458) |
| Dividends paid | | (4,954) | – |
| Payment of principal portion of lease liabilities | | (1,269) | (1,808) |
| (Increase)/decrease in pledged deposits with licensed bank | | (385) | 2,568 |
| | | <hr/> | <hr/> |
| Net cash flows generated from financing activities | | 2,051 | 11,539 |
| | | <hr/> | <hr/> |
| Net decrease in cash and cash equivalents | | (6,251) | (16,702) |
| Effect of exchange rate changes on cash and cash equivalents | | (196) | 334 |
| Cash and cash equivalents at 1 January | | 18,972 | 35,340 |
| | | <hr/> | <hr/> |
| Cash and cash equivalents at 31 December | 21 | 12,525 | 18,972 |

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.



NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

1. CORPORATE INFORMATION

Penguin International Limited (the "Company") is a limited liability company incorporated and domiciled in Singapore and is listed on the Singapore Exchange Securities Trading Limited (SGX-ST).

The registered office and principal place of business of the Company is located at 21 Tuas Road, Singapore 638489.

The principal activities of the Company are to act as: (i) owners and operators of passenger ferries, (ii) designers and builders of search-and-rescue vessels, and (iii) investment holding. The principal activities of the subsidiaries are disclosed in Note 14 to the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements of the Group and balance sheet and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards (International) ("SFRS (I)").

The financial statements have been prepared on a historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in Singapore Dollars ("SGD" or "\$") and all values in the tables are rounded to the nearest thousand ("'\$000") except when otherwise indicated.

2.2 Adoption of new and amended standards and interpretations

The following standards and interpretations are effective for the annual period beginning on or after 1 January 2022:

Amendment to SFRS(I) 3: Reference to the Conceptual Framework

The application of these amendments to standards and interpretations does not have a material effect on the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.3 Standards issued but not yet effective

The Group has not adopted the following standards applicable to the Group that have been issued but not yet effective:

| Description | Effective for annual periods beginning on or after |
|--|--|
| Amendments to SFRS(I) 1-1: Classification of Liabilities as Current or Non-current | 1 Jan 2024 |
| Amendments to SFRS(I) 17: Insurance Contracts | 1 Jan 2023 |
| Amendments to SFRS(I) 1-1 and SFRS(I) Practice Statement 2: Disclosure Accounting Policies | 1 Jan 2023 |
| Amendments to SFRS(I) 1-8: Definition of Accounting Estimates | 1 Jan 2023 |
| Amendments to SFRS(I) 1-12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction | 1 Jan 2023 |
| Amendments to SFRS(I) 16: Lease Liability in a Sales and Leaseback | 1 Jan 2024 |
| Amendments to SFRS(I) 1-1: Non-current Liabilities with Covenants | 1 Jan 2024 |

The directors expect that the adoption of the standards above will have no material impact on the financial statements in the year of initial application.

2.4 Basis of consolidation and business combinations

(a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost;
- Derecognises the carrying amount of any non-controlling interest;
- Derecognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;



NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.4 *Basis of consolidation and business combinations (cont'd)*

(a) *Basis of consolidation (cont'd)*

- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss;
- Reclassifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

(b) *Business combinations*

Business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in profit or loss.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any), that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation, is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another SFRS(I).

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill.

The accounting policy for goodwill is set out in Note 2.8. In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

2.5 *Transactions with non-controlling interests*

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.6 *Foreign currency*

The Group's consolidated financial statements are presented in Singapore Dollars, which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

(a) *Transactions and balances*

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

(b) *Consolidated financial statements*

For consolidation purpose, the assets and liabilities of foreign operations are translated into SGD at the rate of exchange ruling at the end of the reporting period and their profit or loss are translated at the exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

2.7 *Subsidiaries*

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses.



NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.8 Goodwill

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the Group's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

The cash-generating unit to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Where goodwill forms part of a cash-generating unit and part of the operation within that cash-generating unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operation disposed of and the portion of the cash-generating unit retained.

2.9 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. The cost includes the cost of replacing part of the property, plant and equipment and borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying property, plant and equipment. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

When significant parts of plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

| | |
|---------------------------------|--------------|
| Leasehold buildings | 6 - 30 years |
| Motor launches | 5 - 20 years |
| Machinery and equipment | 3 - 15 years |
| Office equipment | 3 - 10 years |
| Motor vehicles | 5 years |
| Deferred drydocking expenditure | 4 years |

Assets under construction included in property, plant and equipment are not depreciated as these are not yet available for use.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.9 Property, plant and equipment (cont'd)

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset is included in profit or loss in the year the asset is derecognised.

Deferred drydocking expenditure is carried at cost less accumulated depreciation and any accumulated impairment losses. Depreciation of deferred drydocking expenditure begins when drydocking is completed and the vessels are available for use.

The revaluation surplus included in the asset revaluation reserve in respect of an asset is transferred directly to retained earnings on retirement or disposal of the asset.

2.10 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when an annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

The Group bases its impairment calculation on market valuations, recent comparable sales, detailed budgets and forecast calculations which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated.

Impairment losses are recognised in profit or loss in those expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss.



NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.11 Financial instruments

(a) Financial assets

Initial recognition and measurement

Financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial assets at initial recognition.

When financial assets are recognised initially, they are measured at fair value plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

(i) Financial assets at fair value through profit or loss

Financial assets are measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income.

(ii) Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. Changes in fair value of derivatives are recognised in profit or loss.

(iii) Amortised cost

Financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the assets are derecognised or impaired, and through amortisation process.

(iv) Fair value through other comprehensive income ("FVOCI")

Investments in equity instruments

On initial recognition of an investment in equity instrument that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI. Dividends from such investments are to be recognised in profit or loss when the Group's right to receive payments is established. For investments in equity instruments which the Group has not elected to present subsequent changes in fair value in OCI, changes in fair value are recognised in profit or loss.

Derecognition

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On de-recognition of a financial asset at FVOCI in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in retained earnings.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.11 Financial instruments (cont'd)

(b) Financial liabilities

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

(i) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial liabilities are recognised in profit or loss.

(ii) Financial liabilities at amortised cost

After initial recognition, financial liabilities that are not carried at fair value through profit and loss are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are de-recognised, and through the amortisation process.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

(c) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is presented in the balance sheets, when and only when, there is currently enforceable legal right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.



NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.12 *Derivative financial instruments*

The Group uses derivative financial instruments such as forward currency contracts to hedge its risks associated with foreign currency. Such derivative financial instruments are initially recognised at fair value on the date the derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are taken directly to profit or loss for the year.

2.13 *Impairment of financial assets*

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired.

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss and financial guarantee contracts. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is recognised for credit losses expected over the remaining life of the exposure, irrespective of timing of the default (a lifetime ECL).

For trade and other receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 365 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.14 *Cash and cash equivalents*

Cash and cash equivalents comprise cash at bank, cash on hand, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.15 *Inventories*

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

- Finished goods and work-in-progress: costs of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. These costs are assigned on specific identification basis.
- Parts and spares: purchase costs on first-in first-out 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. Where there is an increase in net realisable value in subsequent periods, the amount of reversal of any write-down of inventories is recognised in the profit or loss in the period in which the reversal occurs. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs required to make the sale.

Work-in-progress in relation to uncompleted vessels and repairs and maintenance projects are stated at cost.

Cost includes all direct materials and labour costs and those indirect costs related to contract performance, such as indirect labour, supplies and tools. Provision is made for anticipated losses on completed contracts, if any, when the possibility of losses is ascertained.

2.16 *Contract balances*

Contract balances comprise contract assets and contract liabilities presented separately in the balance sheets.

Contract assets

Contract assets are recognised when shipbuilding progress has been made based on the percentage of completion in excess of consideration received and progress billings made. Contract assets are subsequently transferred to receivables when progress billings have been made.

Contract liabilities

Contract liabilities are recognised when progress on shipbuilding has been made based on the percentage of completion in deficit of consideration received and progress billings made. Contract liabilities are subsequently offset when progress on shipbuilding have been made.

A net position of contract asset or contract liability is determined for each contract.

2.17 *Borrowing costs*

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.



NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.18 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive), as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Liquidated damages

Provision for liquidated damages is made in respect of anticipated claims from customers on contracts of which deadlines are overdue or not expected to be completed on time in accordance with contractual obligations. The utilisation of provisions is dependent on the timing of claims.

Foreseeable losses

Provision for foreseeable losses is made for anticipated losses on uncompleted contracts, if any, when the possibility of loss is ascertained.

Onerous contracts

Provision for onerous contract is recognised when the expected benefits from a contract are lower than the unavoidable cost of meeting the obligations under the contract.

Warranty provisions

Provision for warranty-related costs are recognised when the product is sold in accordance to the terms stipulated in shipbuilding contracts and in respect of anticipated claims from customers. Initial recognition is based on historical experience. The initial estimate of warranty-related cost is revised annually.

Restoration costs

Provision for restoration costs arose on construction of production facilities on leasehold buildings which are required to be reinstated to their original condition at the end of lease term. Restoration costs are provided at the present value of expected costs to settle the obligation using estimated cash flows and are recognised as part of the cost of leasehold buildings. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the restoration liability. The unwinding of the discount is expensed as incurred and recognised in profit or loss as a finance cost. The estimated future costs of restoration are reviewed annually and adjusted as appropriate. Changes in estimated future costs or in the discount rate applied are added to or deducted from the cost of leasehold buildings.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.19 Employee benefits

(a) Defined contribution plans

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. In particular, the Singapore companies in the Group make contributions to the Central Provident Fund Scheme in Singapore, a defined contribution pension scheme. Contributions to defined contribution pension scheme are recognised as an expense in the period in which the related service is performed.

(b) Defined employee retirement benefits

The Group provides provision for employee service entitlements in order to meet the minimum benefits required to be paid to qualified employees of a subsidiary, as required under the Indonesian Labour Law No. 13/2003. The said additional provisions, which are unfunded, are estimated using actuarial calculations based on the report prepared by an independent firm of actuary.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation (derived using a discount rate based on high quality corporate bonds) at the end of the reporting period. The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit method.

Defined benefit costs comprise the following:

- Service cost
- Interest on the defined benefit liability
- Re-measurements of defined benefit liability

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognised as expense in profit or loss. Past service costs are recognised when plan amendment or curtailment occurs.

Interest on the defined benefit liability is the change during the period in the defined benefit liability that arises from the passage of time which is determined by applying the discount rate based on high quality corporate bonds to the defined benefit liability. Interest on the defined benefit liability is recognised as expense in profit or loss.

Re-measurements comprising actuarial gains and losses are recognised immediately in other comprehensive income in the period in which they arise. Re-measurements are recognised in retained earnings within equity and are not reclassified to profit or loss in subsequent periods.

(c) Employee leave entitlement

Employee entitlements to annual leave are recognised as a liability when they accrue to employees. The estimated liability for leave is recognised for services rendered by employees up to the end of the reporting period.



NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.20 Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities representing the obligations to make lease payments and right-of-use assets representing the right to use the underlying leased assets.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment. The accounting policy for impairment is disclosed in Note 2.10.

The Group's right-of-use assets are presented in Note 27.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Group's lease liabilities are included in Note 27.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.20 Leases (cont'd)

Short-term leases and leases of low-value assets

The Group applies the short-term lease and lease of low-value assets recognition exemption to its leases of machinery and dormitories (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

2.21 Assets classified as held for sale

Assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. An asset is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition.

Property, plant and equipment once classified as held for sale are not depreciated.

2.22 Revenue

Revenue is recognised when the Group satisfies a performance obligation, by transferring a promised good, service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

When the control of the produced good and rendered services is transferred over time to the customer, revenue is recognised over time (i.e. under the percentage of completion method).

The Company transfers control over time when:

- It produces a good with no alternative use and the Company has an irrevocable right to payment (including a reasonable margin) for the work completed to date, in the event of termination of the contract for the convenience of the customer.
- It creates a good which is controlled by the customer as the good is created or enhanced.
- The customer simultaneously receives and consumes the benefits provided by the Company.

When none of the criteria stated above have been met, revenue is recognised at a point in time.

(a) **Revenue from shipbuilding, ship repairs and maintenance**

Revenue from shipbuilding is recognised either over time or at point in time depending on whether any of the above criteria for recognition of the revenue over time has been met. When any of the above criteria has been met, shipbuilding revenue is recognised over time based on the input method. Revenue from repairs/maintenance is recognised over time and at point in time.



NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.22 Revenue (cont'd)

(a) Revenue from shipbuilding, ship repairs and maintenance (cont'd)

The Group's shipbuilding revenue comprises (i) build-to-order and (ii) build-for-stock vessels.

- (i) Build-to-order projects typically refer to client-specific orders for customised vessels placed with the Group and formalised by shipbuilding contracts. Revenue from build-to-order projects are typically tied to discrete project milestones and recognised over time.
- (ii) Build-for-stock projects typically refer to generic vessel types built without orders that target niche markets identified by the Group. Sales of stock vessels are typically formalised by sale and purchase agreements. Revenue is typically recognised at point in time.

(b) Revenue from chartering

Revenue from chartering is recognised over time.

(c) Interest income

Interest income is recognised using the effective interest method.

2.23 Taxes

(a) Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period, in the countries where the Group operates and generates taxable income.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- Where deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit or loss; and

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.23 Taxes (cont'd)

(b) Deferred tax (cont'd)

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.



NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.23 Taxes (cont'd)

(c) Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables on the balance sheet.

2.24 Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly reviews the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 34, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.25 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. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognised in the financial statements of the period in which the change occurs.

2.26 Share capital and share issuance expenses

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.27 Government grants

Grants from the government are recognised as a receivable at their fair value when there is reasonable assurance that the grant will be received and the Group will comply with all the attached conditions.

Government grant receivable are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. Grants related to income are presented as a credit in profit or loss, under "Other income".

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

3.1 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

(a) Impairment of property, plant and equipment

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. Management determines recoverable amount based on fair value less costs to sell which is estimated by an independent valuer based on cost of construction and replacement of a similar asset.

The carrying amount of the Group's property, plant and equipment at 31 December 2022 was \$153,447,000 (2021: \$108,951,000).

Further details of the impairment assessment of property, plant and equipment are disclosed in Note 13 to the financial statements.

(b) Revenue recognition using the percentage-of-completion method

Revenue from shipbuilding contracts recognised using the percentage-of-completion ("POC") method, management will determine POC based on the input method to measure the stage of satisfaction of a performance obligation.

Actual costs (input) incurred pertaining to the vessels are matched against the budgeted costs to derive the POC of the vessel.

For the financial year ended 31 December 2022, the Group recorded revenue from shipbuilding contracts using the POC method amounting to \$34,752,000 (2021: \$25,325,000).



NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2022

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (cont'd)

3.1 Key sources of estimation uncertainty (cont'd)

(c) Determination of lease term of contracts with extension options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to extend the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise the extension. After the commencement date, the Group reassesses the lease term whether there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to extend.

During the current financial year, there is no financial effect of revising lease term to reflect the effect of exercising options.

3.2 Judgements made in applying accounting policies

In the process of applying the Group's and Company's accounting policies, management has made the following judgements which have the most significant effect on the amounts recognised in the consolidated financial statements.

(a) Impairment of financial assets

The Group and Company assess whether there is any objective evidence that a credit loss exists upon initial recognition of the financial asset. Factors such as the financial health and background of the debtor (i.e. country risk and industry trends) are considered during the assessment for impairment of financial assets. At reporting date, allowance for impairment loss on trade receivables is disclosed in Note 18 to the financial statements.

(b) Impairment of non-financial assets

The Group and Company assess whether there are any indicators of impairment for all non-financial assets at each reporting date. Goodwill is tested for impairment annually and at other times when such indicators exist. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. The determination of indicators of impairment requires judgement.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2022

4. REVENUE

Revenue represents income derived from chartering, shipbuilding and ship repairs and maintenance, net of rebates and discounts. Intra-group transactions have been excluded from the Group's revenue.

| | Group | |
|--|---------|---------|
| | 2022 | 2021 |
| | \$'000 | \$'000 |
| Chartering | 30,854 | 26,320 |
| Shipbuilding, ship repairs and maintenance | 104,373 | 106,329 |
| | <hr/> | <hr/> |
| | 135,227 | 132,649 |

Revenue of \$64,618,000 (2021: \$78,091,000) and \$70,609,000 (2021: \$54,558,000) are recognised at a point in time and over time respectively.

Transaction price allocated to the remaining non-cancellable performance obligations

The aggregate amount of the transaction price allocated to the remaining non-cancellable performance obligation is \$161,820,000 (2021: \$89,574,000) and the Group expects to recognise this revenue within the next 12 years.

The Group applies the practical expedient in paragraph 121 of SFRS(I) 15 and does not disclose information about its remaining performance obligations if the performance obligation is part of a contract that has an original expected duration of one year or less.

5. OTHER INCOME

| | Group | |
|---|--------|--------|
| | 2022 | 2021 |
| | \$'000 | \$'000 |
| Gain on disposal of property, plant and equipment | 3,576 | 3,705 |
| Consideration Sum* | 3,550 | – |
| Scrap sales | 415 | 293 |
| Grant received | 964 | 1,522 |
| Reversal of restoration cost on leased land | 172 | 1,500 |
| Others | 562 | 291 |
| | <hr/> | <hr/> |
| | 9,239 | 7,311 |

* The Consideration Sum relates to the early move-out and relocation from 18 Tuas Basin Link, ahead of the property's lease expiry in 2025.



NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2022

6. ADMINISTRATIVE EXPENSES

| | Group | |
|---|----------|----------|
| | 2022 | 2021 |
| | \$'000 | \$'000 |
| Included in administrative expenses are the following: | | |
| Audit fees: | | |
| - Auditor of the Company | (116) | (108) |
| - Other auditors | (21) | (18) |
| Depreciation of property, plant and equipment | (2,372) | (2,988) |
| Depreciation of right-of-use assets | (585) | (1,207) |
| Employee benefits expense (Note 9) | (13,140) | (12,573) |
| Legal fees | (15) | (19) |
| Professional fees | (1,147) | (1,254) |
| Property, plant and equipment and inventory written off | (147) | (64) |
| Operating lease expense (Note 27(c)) | (455) | (192) |
| Water and electricity | (569) | (393) |
| Transportation | (236) | (189) |

7. OTHER OPERATING EXPENSES

| | Group | |
|---|---------|---------|
| | 2022 | 2021 |
| | \$'000 | \$'000 |
| Included in other operating expenses are the following: | | |
| Depreciation of property, plant and equipment | (8,152) | (6,662) |
| Net foreign exchange gain | 1,542 | 345 |
| Impairment loss on inventory (Note 17) | - | (126) |
| Insurance expense | (1,573) | (1,273) |

8. FINANCE COSTS/ FINANCE INCOME

| | Group | |
|---|--------|--------|
| | 2022 | 2021 |
| | \$'000 | \$'000 |
| Bank charges | (66) | (71) |
| Interest expense on term loans | (368) | (251) |
| Interest expense on lease liabilities | (166) | (179) |
| | (600) | (501) |
| Interest income from short term deposits and bank balances | 27 | 42 |
| Interest income from customers under deferred payment arrangement | 1,196 | 434 |
| | 1,223 | 476 |

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2022

9. EMPLOYEE BENEFITS EXPENSE

| | Group | |
|--------------------------------------|----------|----------|
| | 2022 | 2021 |
| | \$'000 | \$'000 |
| Wages, salaries and bonuses | (20,197) | (18,609) |
| Central Provident Fund contributions | (2,182) | (1,997) |
| Other short-term benefits | (1,785) | (1,839) |
| | (24,164) | (22,445) |
| Included in profit or loss: | | |
| Administrative expenses (Note 6) | (13,140) | (12,573) |
| Cost of sales | (10,250) | (8,823) |
| | (23,390) | (21,396) |
| Capitalised in balance sheet: | | |
| Inventories | (774) | (1,049) |
| | (24,164) | (22,445) |

The above employee benefits expense included key management personnel compensation (other than independent director fees) as disclosed in Note 32(b).

10. PROFIT BEFORE TAX

The following items have been included in arriving at profit before tax:

| | Group | |
|---|----------|----------|
| | 2022 | 2021 |
| | \$'000 | \$'000 |
| Inventories recognised as an expense in cost of sales (Note 17) | (83,211) | (82,704) |
| Provision for warranty claims, net (Note 24) | (468) | (357) |



NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2022

11. INCOME TAX EXPENSE

Major components of income tax expense

The major components of income tax expense for the years ended 31 December 2022 and 2021 are:

| | Group | |
|--|---------|---------|
| | 2022 | 2021 |
| | \$'000 | \$'000 |
| Consolidated income statement: | | |
| Current tax | | |
| - Current year tax expense | (2,197) | (1,466) |
| - Over/(under) provision in respect of previous years | 223 | (254) |
| Deferred tax | | |
| - Movement in temporary differences | (2,193) | (946) |
| - Over provision in respect of previous years | 93 | 422 |
| Income tax expense recognised in the consolidated income statement | (4,074) | (2,244) |

Relationship between tax expense and accounting profit

A reconciliation between the tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 December 2022 and 2021 is as follows:

| | Group | |
|---|---------|---------|
| | 2022 | 2021 |
| | \$'000 | \$'000 |
| Profit before taxation | 14,628 | 14,912 |
| Tax expense at the domestic rates applicable to profits in the countries where the Group operates | (3,597) | (2,954) |
| Tax effect of expenses not deductible | (2,058) | (1,017) |
| Tax effect of income not subject to tax | 376 | 521 |
| Over provision in respect of previous years | 316 | 168 |
| Utilisation of deferred tax assets previously not recognised | 634 | 910 |
| Deferred tax assets not recognised | - | (3) |
| Enhanced tax deduction | 203 | 77 |
| Effect of partial tax exemption and tax relief | 52 | 54 |
| Income tax expense recognised in the consolidated income statement | (4,074) | (2,244) |

The above reconciliation is prepared by aggregating separate reconciliations for each national jurisdiction.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2022

12. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the profit for the year attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share are calculated by dividing the profit for the year attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year 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.

The following table reflects the profit and share data used in the computation of basic and diluted earnings per share for the years ended 31 December:

| | Group | |
|---|---------|---------|
| | 2022 | 2021 |
| | \$'000 | \$'000 |
| Profit for the year attributable to owners of the Company used in the computation of basic and diluted earnings per share | 10,555 | 12,669 |
| Weighted average number of ordinary shares used in the computation of basic and diluted earnings per share | 220,170 | 220,170 |



NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2022

13. PROPERTY, PLANT AND EQUIPMENT

| Group | Leasehold buildings | Motor launches | Machinery and equipment | Office equipment | Motor vehicles | Construction in progress | Deferred drydocking expenditure | Total |
|--|---------------------|----------------|-------------------------|------------------|----------------|--------------------------|---------------------------------|----------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Cost | | | | | | | | |
| At 1 January 2021 | 32,550 | 88,688 | 15,147 | 6,384 | 601 | 20,071 | 2,060 | 165,501 |
| Additions | 387 | 24,380 | 746 | 181 | - | 8,555 | 435 | 34,684 |
| Transfer | 3,474 | 12,743 | 5,043 | (24) | - | (21,276) | 40 | - |
| Transfer to assets held for sale | - | (8,808) | - | - | - | - | - | (8,808) |
| Disposals | - | (13,897) | (36) | - | - | - | (742) | (14,675) |
| Written off | (38) | - | (102) | - | - | - | - | (140) |
| Net exchange difference | 152 | 984 | 48 | 5 | 1 | 71 | (25) | 1,236 |
| At 31 December 2021 and 1 January 2022 | 36,525 | 104,090 | 20,846 | 6,546 | 602 | 7,421 | 1,768 | 177,798 |
| Additions | 7,614 | 39,028 | 1,155 | 332 | - | 12,180 | 508 | 60,817 |
| Transfer | 7,355 | - | - | - | - | (7,355) | - | - |
| Transfer to inventory | - | - | (121) | - | - | - | - | (121) |
| Transfer from assets held for sale | - | - | 117 | - | - | - | - | 117 |
| Transfer out* | (15,370) | - | - | - | - | - | - | (15,370) |
| Disposals | - | (4,519) | (115) | (1) | - | - | (99) | (4,734) |
| Written off | - | - | (242) | (1,113) | - | - | - | (1,355) |
| Net exchange difference | (1,755) | (106) | (838) | (64) | (8) | (6) | (122) | (2,899) |
| At 31 December 2022 | 34,369 | 138,493 | 20,802 | 5,700 | 594 | 12,240 | 2,055 | 214,253 |

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2022

13. PROPERTY, PLANT AND EQUIPMENT (cont'd)

| Group (cont'd) | Leasehold buildings | Motor launches | Machinery and equipment | Office equipment | Motor vehicles | Construction in progress | Deferred drydocking expenditure | Total |
|--|---------------------|----------------|-------------------------|------------------|----------------|--------------------------|---------------------------------|----------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Accumulated depreciation | | | | | | | | |
| At 1 January 2021 | 19,724 | 28,368 | 10,021 | 5,844 | 520 | - | 573 | 65,050 |
| Charge for the year | 2,643 | 5,525 | 1,137 | 296 | 49 | - | 461 | 10,111 |
| Transfer | - | - | - | (8) | - | - | 8 | - |
| Transfer to assets held for sale | - | (1,541) | - | - | - | - | - | (1,541) |
| Disposals | - | (4,819) | (8) | - | - | - | (213) | (5,040) |
| Written off | (3) | - | (98) | - | - | - | - | (101) |
| Net exchange difference | 68 | 275 | 25 | 4 | 1 | - | (5) | 368 |
| At 31 December 2021 and 1 January 2022 | 22,432 | 27,808 | 11,077 | 6,136 | 570 | - | 824 | 68,847 |
| Charge for the year | 2,146 | 6,899 | 1,253 | 207 | 19 | - | 474 | 10,998 |
| Transfer from assets held for sale | - | - | 31 | - | - | - | - | 31 |
| Transfer out* | (15,370) | - | - | - | - | - | - | (15,370) |
| Disposals | - | (1,155) | - | (1) | - | - | - | (1,156) |
| Written off | - | - | (108) | (1,100) | - | - | - | (1,208) |
| Net exchange difference | (729) | (200) | (270) | (55) | (7) | - | (75) | (1,336) |
| At 31 December 2022 | 8,479 | 33,352 | 11,983 | 5,187 | 582 | - | 1,223 | 60,806 |
| Net carrying amount | | | | | | | | |
| At 31 December 2021 | 14,093 | 76,282 | 9,769 | 410 | 32 | 7,421 | 944 | 108,951 |
| At 31 December 2022 | 25,890 | 105,141 | 8,819 | 513 | 12 | 12,240 | 832 | 153,447 |

* The transfer out relates to the early move-out and relocation from 18 Tuas Basin Link.



NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2022

13. PROPERTY, PLANT AND EQUIPMENT (cont'd)

| Company | Leasehold buildings \$'000 | Motor launches \$'000 | Machinery and equipment \$'000 | Office equipment \$'000 | Motor vehicles \$'000 | Total \$'000 |
|---|----------------------------------|-----------------------------|---|-------------------------------|-----------------------------|-----------------|
| Cost | | | | | | |
| At 1 January 2021 | 14,983 | 3,642 | 132 | 2,955 | 165 | 21,877 |
| Additions | 387 | 2,900 | – | 37 | – | 3,324 |
| Disposals | – | (5,648) | (15) | (1) | – | (5,664) |
| Written off | – | – | – | (16) | – | (16) |
| At 31 December 2021 and 1 January 2022 | 15,370 | 894 | 117 | 2,975 | 165 | 19,521 |
| Additions | – | – | – | 36 | – | 36 |
| Transfer out* | (15,370) | – | – | – | – | (15,370) |
| Written off | – | – | – | (1,076) | – | (1,076) |
| At 31 December 2022 | – | 894 | 117 | 1,935 | 165 | 3,111 |
| Accumulated depreciation | | | | | | |
| At 1 January 2021 | 13,681 | 3,642 | 94 | 2,726 | 128 | 20,271 |
| Charge for the year | 1,302 | – | 9 | 152 | 33 | 1,496 |
| Disposals | – | (2,748) | (7) | (1) | – | (2,756) |
| Written off | – | – | – | (15) | – | (15) |
| At 31 December 2021 and 1 January 2022 | 14,983 | 894 | 96 | 2,862 | 161 | 18,996 |
| Charge for the year | 387 | – | 7 | 59 | 3 | 456 |
| Transfer out* | (15,370) | – | – | – | – | (15,370) |
| Written off | – | – | – | (1,065) | – | (1,065) |
| At 31 December 2022 | – | 894 | 103 | 1,856 | 164 | 3,017 |
| Net carrying amount | | | | | | |
| At 31 December 2021 | 387 | – | 21 | 113 | 4 | 525 |
| At 31 December 2022 | – | – | 14 | 79 | 1 | 94 |

* The transfer out relates to the early move-out and relocation from 18 Tuas Basin Link.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2022

13. PROPERTY, PLANT AND EQUIPMENT (cont'd)

Assets pledged as security

| | Group | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2022 \$'000 | 2021 \$'000 | 2022 \$'000 | 2021 \$'000 |
| The carrying amount of property, plant and equipment pledged to secure banking facilities | 37,081 | 20,904 | – | – |

Impairment assessment of assets

During the year, the Group and the Company carried out a review of the recoverable amount of certain motor launches which were underutilised. The recoverable amounts of the motor launches were based on the valuations performed by an independent valuer.

No impairment or reversal of impairment was made for the year ended 31 December 2022.

Assets classified as held for sale

In 2021, the Group were in the midst of finalising the sale arrangement with buyers for the disposal of certain motor launches. Accordingly, the carrying amount of these vessels was classified as assets held for sale.

| | Group | | Company | |
|------------------------------------|----------------|----------------|----------------|----------------|
| | 2022 \$'000 | 2021 \$'000 | 2022 \$'000 | 2021 \$'000 |
| Assets classified as held for sale | – | 7,267 | – | – |

Assets under construction

The Group's construction in progress of \$12,240,000 (2021: \$7,421,000) relates to expenditure for motor launches (2021: new yard development in Tuas) in the course of construction.



NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2022

14. INVESTMENT IN SUBSIDIARIES

| | Company | |
|---|----------------|----------------|
| | 2022 \$'000 | 2021 \$'000 |
| Unquoted equity shares, at cost | 34,403 | 34,403 |
| Impairment losses | (18,885) | (14,832) |
| Total investment in subsidiaries | 15,518 | 19,571 |

| | Company | |
|---|----------------|----------------|
| | 2022 \$'000 | 2021 \$'000 |
| An analysis of movement in impairment loss on investment in subsidiaries is as follows: | | |
| At beginning of year | 14,832 | 14,852 |
| Allowance/(reversal) for impairment loss | 4,053 | (20) |
| At end of year | 18,885 | 14,832 |

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2022

14. INVESTMENT IN SUBSIDIARIES (cont'd)

| Name | Principal activities | Country of incorporation | Ownership interest held by the Company | | Cost of investment | |
|---|--|--------------------------|--|-----------|--------------------|----------------|
| | | | 2022 % | 2021 % | 2022 \$'000 | 2021 \$'000 |
| Held by the Company | | | | | | |
| Penguin Shipyard International Pte Ltd ⁽¹⁾ | Builders of Flex crewboats, passenger ferries and launches and provision of related repairs and maintenance services | Singapore | 100 | 100 | 5,000 | 5,000 |
| Penguin Shipyard Asia Pte Ltd ⁽¹⁾ | Builders of Flex crewboats, passenger ferries and launches | Singapore | 100 | 100 | 2,000 | 2,000 |
| Pelican Offshore Services Pte Ltd ⁽¹⁾ | Management and operation of Flex crewboats and fast supply intervention vessels | Singapore | 100 | 100 | 18,435 | 18,435 |
| POS Gallant Pte Ltd ⁽⁴⁾ | Dormant | Singapore | 100 | 100 | 100 | 100 |
| Pelican Offshore Worldwide Pte Ltd ⁽¹⁾ | Investment holding | Singapore | 100 | 100 | 100 | 100 |
| Penguin Marine Services Pte Ltd ⁽¹⁾ | Provision of project management services | Singapore | 100 | 100 | 500 | 500 |
| Pelican Ship Management Services Pte Ltd ⁽¹⁾ | Provision of ship management and maintenance services | Singapore | 100 | 100 | 1,107 | 1,107 |
| Soon Tian Oon Pte Ltd ⁽⁴⁾ | Dormant | Singapore | 100 | 100 | 231 | 231 |
| Penguin Marine Offshore Services Pte Ltd ⁽¹⁾ | Management and operation of motor launches | Singapore | 100 | 100 | 5,003 | 5,003 |
| Swissco Offshore (Pte.) Ltd ⁽¹⁾ | Provision of shipyard space | Singapore | 100 | 100 | 1,927 | 1,927 |
| | | | | | 34,403 | 34,403 |



NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2022

16. INTANGIBLE ASSET (cont'd)

Goodwill on consolidation arose from the acquisition of PT Kim Seah Shipyard Indonesia during the financial year ended 31 December 2006. The goodwill amount was determined based on the fair value of the net assets acquired less the purchase consideration paid on the date of purchase. The goodwill has been allocated to PT Kim Seah Shipyard Indonesia as a cash generating unit ("CGU") for impairment testing.

No impairment loss for goodwill was required for the financial year ended 31 December 2022 and 31 December 2021.

17. INVENTORIES

| | Group | |
|--|----------------|----------------|
| | 2022 \$'000 | 2021 \$'000 |
| Balance sheet: | | |
| Parts and spares | 1,666 | 2,153 |
| Work-in-progress | 66,922 | 44,102 |
| | <u>68,588</u> | <u>46,255</u> |
| Income statement: | | |
| Inventories recognised as an expense in cost of sales (Note 10) | (83,211) | (82,704) |
| Impairment loss on inventory recognised in other operating expenses (Note 7) | - | (126) |

18. TRADE RECEIVABLES

| | Group | | Company | |
|-------------------------------|----------------|----------------|----------------|----------------|
| | 2022 \$'000 | 2021 \$'000 | 2022 \$'000 | 2021 \$'000 |
| Current: | | | | |
| Trade receivables | 22,366 | 22,379 | 5,233 | 2,204 |
| Allowance for impairment loss | (1,177) | (1,758) | - | - |
| | <u>21,189</u> | <u>20,621</u> | <u>5,233</u> | <u>2,204</u> |
| Non-current: | | | | |
| Trade receivables | 13,814 | 18,096 | - | - |
| Total trade receivables | <u>35,003</u> | <u>38,717</u> | <u>5,233</u> | <u>2,204</u> |

Trade receivables are generally on 30 days term and are non-interest bearing, except for trade receivables which pertains to sale of stock vessels under deferred payment arrangement. They are recognised at original invoice amounts which represent their fair values on initial recognition.

Included in Group current trade receivables and non-current trade receivables is an amount of \$8,091,000 (2021: \$4,633,000) and \$13,814,000 (2021: \$18,096,000) respectively which pertains to sale of stock vessels under deferred payment arrangement.

Of the entire deferred payment arrangement, \$4,038,000 (2021: Nil) is secured against stock vessel sold. The deferred payment arrangement bears interest at 3% to 6% and is repayable through monthly instalments.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2022

18. TRADE RECEIVABLES (cont'd)

Receivables that are past due but not impaired

The Group and Company have trade receivables amounting to \$5,401,000 (2021: \$7,809,000) and \$591,000 (2021: \$335,000) respectively that are past due at the end of the reporting period but not impaired. These receivables are unsecured and the analysis of their ageing at the end of the reporting period is as follows:

| | Group | | Company | |
|-------------------|----------------|----------------|----------------|----------------|
| | 2022 \$'000 | 2021 \$'000 | 2022 \$'000 | 2021 \$'000 |
| Less than 30 days | 3,258 | 2,668 | 348 | - |
| 30 to 60 days | 603 | 4,493 | 243 | 335 |
| 61 to 90 days | 438 | 169 | - | - |
| 91 to 365 days | 1,102 | 479 | - | - |
| | <u>5,401</u> | <u>7,809</u> | <u>591</u> | <u>335</u> |

Receivables that are impaired

The Group's trade receivables that are impaired at the end of the reporting period and the movement of the allowance account used to record the impairment is as follows:

| | Group Individually impaired | |
|---|--------------------------------|----------------|
| | 2022 \$'000 | 2021 \$'000 |
| Trade receivables | 1,177 | 1,758 |
| Less: Allowance for impairment loss | (1,177) | (1,758) |
| | <u>-</u> | <u>-</u> |
| Movement in allowance account: | | |
| At 1 January | 1,758 | 1,501 |
| (Reversal)/charge to the profit or loss account | (336) | 240 |
| Write off provision in prior year | (226) | - |
| Exchange difference | (19) | 17 |
| At 31 December | <u>1,177</u> | <u>1,758</u> |

Trade receivables that are individually determined to be impaired at the end of the reporting period relate to debtors that are in significant financial difficulties and have defaulted on payments. During the year, the credit to profit or loss account of \$336,000 related to a reversal of previously made allowance due to payment received from the debtor. In 2021, the additional charge to the profit or loss account of \$240,000 is provided as an allowance by management for a debtor that have defaulted on payments.



NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2022

19. OTHER RECEIVABLES AND DEPOSITS

| | Group | | Company | |
|--|---------------|---------------|------------|------------|
| | 2022 | 2021 | 2022 | 2021 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Current: | | | | |
| <i>Financial assets</i> | | | | |
| Other receivables | 4,350 | 4,715 | 44 | 5 |
| Deposits | 1,342 | 535 | 194 | 164 |
| Insurance claims | 969 | 967 | - | - |
| | <u>6,661</u> | <u>6,217</u> | <u>238</u> | <u>169</u> |
| <i>Non-financial assets</i> | | | | |
| Advance payment to suppliers | 12,333 | 4,363 | - | - |
| Deposits | - | 4 | - | - |
| Other receivables | 498 | 649 | - | - |
| | <u>12,831</u> | <u>5,016</u> | <u>-</u> | <u>-</u> |
| Total current other receivables and deposits | <u>19,492</u> | <u>11,233</u> | <u>238</u> | <u>169</u> |
| <i>Non-current:</i> | | | | |
| Financial assets | | | | |
| Other receivables | 3,669 | 1,507 | - | - |
| Total other receivables and deposits | <u>23,161</u> | <u>12,740</u> | <u>238</u> | <u>169</u> |

Included in the Group's current other receivables and non-current other receivables is an amount of \$1,616,000 (2021: \$3,568,000) and \$3,669,000 (2021: \$1,507,000) respectively which pertains to sale of vessels (property, plant and equipment) under deferred payment arrangement which will end between 2023 and 2026.

Of the entire deferred payment arrangement, \$5,285,000 (2021: \$2,344,000) is secured against fleet vessel sold. The deferred payment arrangement bears interests ranging from 6.30% (2021: 4.35% to 6.30%) and are repayable through monthly instalments.

Included in the Group's current other receivables is an amount of \$2,267,000 (2021: Nil) which pertains to tax recoverable. An overseas subsidiary of the Group has received notices of tax assessments following tax audits carried out on this subsidiary for the years 2018 and 2019. An additional tax payable of S\$2.3 million was required based on the tax assessments received. The foreign subsidiary has paid the additional tax amount in FY2022. The subsidiary's external tax professional firm has advised that it does not see any merit to the tax assessments raised by the tax authorities. Based on the advice of the subsidiary's external tax professional firm, management believes that it is virtually certain that the overseas subsidiary can recover the tax paid. Accordingly the tax recoverable is recognised in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2022

20. LOANS TO SUBSIDIARIES/ DEPOSITS FROM SUBSIDIARIES

| | Company | |
|--------------------------------------|-----------------|-----------------|
| | 2022 | 2021 |
| | \$'000 | \$'000 |
| Loan to a subsidiary (non-current) | 84,340 | 70,837 |
| Loans to subsidiaries (current) | <u>72,263</u> | <u>53,507</u> |
| Deposits from subsidiaries (current) | <u>(22,644)</u> | <u>(10,547)</u> |

The loan to a subsidiary (non-current) has been designated by the Company as part of the net investment in the subsidiary. The amount is unsecured and bearing interest of 2.10% to 5.83% (2021: 3.00% to 3.05%) per annum, has no repayment terms and is repayable only when the cash flows of the subsidiary permit. The loan is denominated in Singapore Dollar.

Loans to subsidiaries (current) are unsecured, bear interest of 2.10% to 5.83% (2021: 3.00% to 3.05%) per annum and are repayable on demand. Included in loan to subsidiaries (current) of the Company is \$730,000 (2021: \$5,409,000) denominated in United States Dollar.

Loans to subsidiaries (current) are stated after deducting an allowance for impairment loss of \$31,333,000 (2021: \$31,333,000).

| | Company | |
|---|---------------|---------------|
| | 2022 | 2021 |
| | \$'000 | \$'000 |
| Movement in allowance account: | | |
| At 1 January | 31,333 | 33,009 |
| Reversal of over provision in prior years | - | (1,676) |
| At 31 December | <u>31,333</u> | <u>31,333</u> |

Deposits from subsidiaries are unsecured, bear interest of 0.25% to 3.90% (2021: 0.20% to 0.25%) per annum and are repayable on demand. Included in deposits from subsidiaries of the Company is \$386,000 (2021: \$199,000) denominated in United States Dollar.



NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2022

21. CASH AND BANK BALANCES AND FIXED DEPOSITS

| | Group | | Company | |
|------------------------|----------------|----------------|----------------|----------------|
| | 2022 \$'000 | 2021 \$'000 | 2022 \$'000 | 2021 \$'000 |
| Cash and bank balances | 12,525 | 18,777 | 1,351 | 4,674 |
| Fixed deposits | 2,453 | 2,264 | – | – |
| | 14,978 | 21,041 | 1,351 | 4,674 |

Cash at banks earns interest at floating rates based on daily bank deposit rates. Fixed deposits are made for varying periods of between 1 week and 12 months (2021: 1 week and 12 months), mostly less than 3 months depending on the immediate cash requirements of the Group and the Company, and earn interest ranging from 0.01% to 2.60% (2021: 0.01% to 0.24%) per annum.

Bank balances and fixed deposits of \$2,453,000 (2021: \$2,069,000) are pledged with licensed banks for banking facilities granted to the Group.

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise the following as at 31 December:

| | Group | |
|--|----------------|----------------|
| | 2022 \$'000 | 2021 \$'000 |
| Cash and bank balances (excluding pledged bank balances) | 12,525 | 18,270 |
| Fixed deposits (excluding pledged fixed deposits) | – | 702 |
| Cash and cash equivalents | 12,525 | 18,972 |

22. TRADE PAYABLES

Trade payables are non-interest bearing and are normally settled on 60 to 90-day terms.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2022

23. OTHER PAYABLES AND ACCRUALS

| | Group | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2022 \$'000 | 2021 \$'000 | 2022 \$'000 | 2021 \$'000 |
| Financial liabilities | | | | |
| Accrued operating expenses | 31,718 | 13,663 | 1,693 | 1,781 |
| Other payables | 901 | 726 | 134 | 184 |
| | 32,619 | 14,389 | 1,827 | 1,965 |
| Non-financial liabilities | | | | |
| Other payables | – | – | 435 | 53 |
| Advance payments and deposits received (non-refundable) | 4,822 | 6,818 | – | – |
| Total other payables and accruals | 37,441 | 21,207 | 2,262 | 2,018 |

Advance payments and deposits received (non-refundable) refer mainly to downpayments for shipbuilding activities.

24. PROVISIONS

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2022 \$'000 | 2021 \$'000 | 2022 \$'000 | 2021 \$'000 |
| <i>Current:</i> | | | | |
| Provision for warranty claims | 701 | 540 | – | – |
| Provision for restoration cost | – | 491 | – | 491 |
| | 701 | 1,031 | – | 491 |
| <i>Non-current:</i> | | | | |
| Provision for restoration cost | 2,080 | – | – | – |
| Provision for employee retirement benefits | 164 | 154 | – | – |
| | 2,244 | 154 | – | – |

Provision for warranty claims

Movement in provision for warranty claims during the year is as follows:

| | Group | |
|-----------------------------|----------------|----------------|
| | 2022 \$'000 | 2021 \$'000 |
| At 1 January | 540 | 483 |
| Additions during the year | 720 | 533 |
| Reversals during the year | (252) | (176) |
| Utilisation during the year | (307) | (300) |
| At 31 December | 701 | 540 |



NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2022

24. PROVISIONS (cont'd)

Provision for warranty claims (cont'd)

The provision for warranty claims is in relation to shipbuilding contracts. The amount for warranty claim is estimated by management based on past experience and expectations of the costs of possible repairs and rectifications.

Provision for restoration cost

The provision for restoration cost is recognised for expected cost required to be incurred to reinstate the leased land to their original condition. Management is of the view that the provision recorded is adequate to cover the costs of restoration.

Provision for employee retirement benefits

A subsidiary in Indonesia provides defined retirement benefits for its employees who achieve the retirement age based on the provisions of Labour Law No. 13/2003 in Indonesia dated 25 March 2003. The benefits are unfunded.

The following table summarises the components of defined retirement benefits expense recognised in profit or loss and provision for employee retirement benefits recognised in the balance sheets as of 31 December 2022, as determined by an independent actuary.

(a) Provision for employee retirement benefit:

| | Group | |
|---|----------------|----------------|
| | 2022 \$'000 | 2021 \$'000 |
| Current service cost | 29 | (9) |
| Total defined retirement benefits expense | 29 | (9) |
| Presented in profit or loss as: | | |
| Administrative expenses | 29 | (9) |

(b) Provision for employee retirement benefits consists of the following:

| | Group | |
|---|----------------|----------------|
| | 2022 \$'000 | 2021 \$'000 |
| Present value of employee benefits obligation | 164 | 154 |

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2022

24. PROVISIONS (cont'd)

Provision for employee retirement benefits (cont'd)

The principal assumptions used in determining the employee retirement benefit expense are as follows:

| | Group | |
|----------------|-----------------------|-----------------------|
| | 2022 | 2021 |
| Retirement age | 55 | 55 |
| Discount rate | 5.52% - 7.41% | 3.40% - 7.58% |
| Mortality rate | TMI 2019 | TMI 2019 |
| Method | Projected unit credit | Projected unit credit |

Movement in the provision for employee retirement benefits is as follows:

| | Group | |
|--------------------------------|----------------|----------------|
| | 2022 \$'000 | 2021 \$'000 |
| At 1 January | 154 | 161 |
| Provision made during the year | 29 | (9) |
| Payment made during the year | (5) | - |
| Translation | (14) | 2 |
| At 31 December | 164 | 154 |

25. CONTRACT BALANCES

| | Group | | Company | |
|----------------------|----------------|----------------|----------------|----------------|
| | 2022 \$'000 | 2021 \$'000 | 2022 \$'000 | 2021 \$'000 |
| Contract assets | 4,543 | 6,325 | - | 5,398 |
| Contract liabilities | (9,388) | (2,717) | (712) | (442) |

Contract assets/ (liabilities) refer to progress billings in relation to shipbuilding and maintenance contracts in deficit/ (excess) of their corresponding revenue.



NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2022

25. CONTRACT BALANCES (cont'd)

Significant changes in the contract assets and the contract liabilities balances during the year are as follows:

| | Group | | Company | |
|---|----------------------|--------|----------------------|--------|
| | Contract liabilities | | Contract liabilities | |
| | 2022 | 2021 | 2022 | 2021 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Revenue recognised that was included in the contract liability balance at the beginning of the year | 2,717 | 776 | 442 | 428 |

| | Group | | Company | |
|--|-----------------|--------|-----------------|--------|
| | Contract assets | | Contract assets | |
| | 2022 | 2021 | 2022 | 2021 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Contract asset reclassified to trade receivables | 6,325 | 1,695 | 5,398 | – |

26. TERM LOANS

| | Group | |
|-------------------------|---------------|---------------|
| | 2022 | 2021 |
| | \$'000 | \$'000 |
| Current: | | |
| Term loan I (unsecured) | 1,038 | 987 |
| Term loan II | 1,000 | 1,000 |
| Term loan III | 4,242 | 4,242 |
| Term loan IV | 780 | 374 |
| Term loan V | 934 | – |
| | <u>7,994</u> | <u>6,603</u> |
| Non-current: | | |
| Term loan I (unsecured) | 1,435 | 2,510 |
| Term loan II | 2,500 | 3,500 |
| Term loan III | – | – |
| Term loan IV | 4,988 | 2,621 |
| Term loan V | 6,977 | – |
| | <u>15,900</u> | <u>8,631</u> |
| Total term loans | <u>23,894</u> | <u>15,234</u> |

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2022

26. TERM LOANS (cont'd)

Term loan I

This loan bears interest of 2% (2021: 2%-3%) and is repayable through monthly instalments.

Term loan II

This loan bears interest of 2.48% (2021: 2.48%) and is repayable through monthly instalments.

Term loan III

This loan bears interest of 2.43% (2021: 2.43%) and is repayable on demand.

Term loan IV

This loan bears interest ranging from 2.73%-4.96% (2021: 2.73%) and is repayable through monthly instalments.

Term loan V

This loan bears interest of 5% (2021: NIL) and is repayable through monthly instalments.

Reconciliation of liabilities arising from financing activities

| | 1 January 2022 | Financing cash flows | 31 December 2022 |
|------------|----------------|----------------------|------------------|
| | \$'000 | \$'000 | \$'000 |
| Term loans | 15,234 | 8,660 | 23,894 |
| | <u>15,234</u> | <u>8,660</u> | <u>23,894</u> |
| | | | |
| | 1 January 2021 | Financing cash flows | 31 December 2021 |
| | \$'000 | \$'000 | \$'000 |
| Term loans | 4,455 | 10,779 | 15,234 |
| | <u>4,455</u> | <u>10,779</u> | <u>15,234</u> |

The Group's loans from the banks are secured by way of:

- first mortgage over motor launches of subsidiaries;
- an assignment of charter earnings in respect of mortgaged motor launches;
- an assignment of insurance policies in respect of mortgaged motor launches;
- first mortgage over property of subsidiary; and
- an assignment of rental proceeds of mortgaged property.



NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2022

27. LEASES

Group as a lessee

The Group has lease contracts for land, office buildings and dormitories. There are several lease contracts that include extension options. The Group also has certain leases of dormitory with lease terms of 12 months or less. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

(a) Movement of right-of-use assets:

| | Group | | Company | |
|-------------------------|---------|---------|---------|--------|
| | 2022 | 2021 | 2022 | 2021 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| At 1 January | 8,028 | 8,984 | 150 | 727 |
| Additions | 768 | 879 | - | 173 |
| Lease modification | - | 17 | - | 17 |
| Depreciation | (1,334) | (1,824) | (150) | (767) |
| Written off | - | (27) | - | - |
| Net exchange difference | (3) | (1) | - | - |
| At 31 December | 7,459 | 8,028 | - | 150 |

(b) Lease liabilities

Reconciliation of liabilities arising from financing activities

| | 1 January | Financing | Written | Group | 31 December |
|-------------------|-----------|------------|---------|--|-------------|
| | 2022 | Cash flows | off | Non-cash changes | 2022 |
| | \$'000 | \$'000 | \$'000 | Modifications/ Additions/ (transfer) | \$'000 |
| Lease liabilities | | | | | |
| - current | 827 | (1,269) | - | - | 1,122 |
| - non-current | 7,366 | - | - | - | (357) |
| | 8,193 | (1,269) | - | - | 765 |
| | | | | | 7,689 |

| | 1 January | Financing | Written | Group | 31 December |
|-------------------|-----------|------------|---------|--|-------------|
| | 2021 | Cash flows | off | Non-cash changes | 2021 |
| | \$'000 | \$'000 | \$'000 | Modifications/ Additions/ (transfer) | \$'000 |
| Lease liabilities | | | | | |
| - current | 1,350 | (1,808) | (28) | 17 | 1,296 |
| - non-current | 7,783 | - | - | - | (417) |
| | 9,133 | (1,808) | (28) | 17 | 879 |
| | | | | | 8,193 |

Maturity analysis of lease liabilities is disclosed in Note 37(b).

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2022

27. LEASES (cont'd)

(c) Amounts recognised in profit or loss

| | Group | | Company | |
|---|--------|--------|---------|--------|
| | 2022 | 2021 | 2022 | 2021 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Depreciation of right-of-use assets | 1,334 | 1,824 | 150 | 767 |
| Interest expense on lease liabilities | 177 | 188 | 1 | 7 |
| Lease expense not capitalised in lease liabilities: | | | | |
| Expense relating to low-value and short-term leases | | | | |
| - included in cost of sales | 100 | 140 | - | - |
| - included in administrative expenses | 455 | 192 | 106 | 15 |
| Total amount recognised in profit or loss | 2,066 | 2,344 | 257 | 789 |

(d) Total cash outflow

The Group had total cash outflows for leases of \$2,001,000 in 2022 (2021: \$2,328,000).

28. COMMITMENTS

(a) Capital commitments

Capital expenditure contracted for as at the end of the reporting period but not recognised in the financial statements are as follows:

| | Group | | Company | |
|---|--------|--------|---------|--------|
| | 2022 | 2021 | 2022 | 2021 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Capital commitments in respect of property, plant and equipment | 8,688 | 3,991 | - | - |

(b) Other commitments

Expenditure contracted for as at the end of the reporting period but not recognised in the financial statements are as follows:

| | Group | | Company | |
|--|--------|--------|---------|--------|
| | 2022 | 2021 | 2022 | 2021 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Commitments in respect of shipbuilding costs | 45,018 | 37,752 | - | - |



NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2022

28. COMMITMENTS (cont'd)

(c) Continuing financial support

The Company has undertaken to provide continuing financial support to fourteen (2021: twelve) of its subsidiaries to enable them to operate as going concerns and to meet their obligations for at least 12 months from the date of their respective directors' report relating to the 31 December 2022 financial statements. The subsidiaries are Penguin Marine Offshore Services Pte Ltd, Penguin Marine Services Pte Ltd, PKS Shipyard Pte Ltd, POS Gallant Pte Ltd, Pelican Offshore Worldwide Pte Ltd, Flex Fleet Sdn Bhd, POS Glow Pte Ltd, POS Victory Pte Ltd, Penguin Transporter Pte Ltd, PT Kim Seah Shipyard Indonesia, Victory Marine Services Sdn Bhd, Swissco Offshore (Pte.) Ltd, Pelican Offshore Malaysia Corp and POS Grace Pte Ltd.

29. DEFERRED TAX LIABILITIES

| | Group | | | | Company | |
|---------------------------------|----------------------------|---------|-------------------------------|--------|---------------|--------|
| | Consolidated balance sheet | | Consolidated income statement | | Balance sheet | |
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Deferred tax liabilities | | | | | | |
| Differences in depreciation | (4,841) | (2,743) | (2,100) | (524) | (381) | (15) |
| Others | - | - | 2 | - | - | - |

During the year, three subsidiaries (2021: three subsidiaries) transferred \$15,873,000 (2021: \$8,408,000) of its current year tax losses and capital allowances to be deducted against the assessable income of the company and two subsidiaries (2021: two subsidiaries) pursuant to the Group Relief Scheme, subject to compliance with the relevant rules and procedures and agreement of the Inland Revenue Authority of Singapore. The tax savings arising from the application of Group Relief amounted to approximately \$2,698,000 (2021: \$1,429,000).

At the balance sheet date, the Group has unutilised tax losses and capital allowances of approximately \$3,643,000 (2021: \$4,908,000) that are available for offset against future taxable profits of the companies in which the losses arose, for which no deferred tax asset is recognised due to uncertainty of its recoverability. The use of these tax losses and capital allowances is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate. The tax losses and capital allowances have no expiry date (2021: except for amount of \$1,247,000 which will expire in 2025).

Tax consequences of proposed dividends

There are no income tax consequences attached to dividends to the shareholders proposed by the Company but not recognised as a liability in the financial statements (Note 35).

Unrecognised temporary differences relating to investments in subsidiaries

There is no deferred tax liability (2021: \$NIL) recognised for taxes that would be payable on the undistributed earnings of certain of the Group's subsidiaries as the Group has determined that undistributed earnings of its subsidiaries will not be distributed in the foreseeable future.

Such temporary differences for which no deferred tax liability has been recognised aggregated to \$17,457,000 (2021: \$15,738,000).

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2022

30. SHARE CAPITAL

| | Group and Company | | | |
|---------------------------------------|--------------------|--------|--------------------|--------|
| | 2022 | | 2021 | |
| | No. of shares '000 | \$'000 | No. of shares '000 | \$'000 |
| Ordinary shares Issued and fully paid | | | | |
| Balance at 1 January & 31 December | 220,170 | 94,943 | 220,170 | 94,943 |

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares which have no par value carry one vote per share without restrictions.

31. OTHER RESERVES

| | Group | | Company | |
|--------------------------------------|---------|---------|---------|---------|
| | 2022 | 2021 | 2022 | 2021 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Foreign currency translation reserve | (9,249) | (6,468) | - | - |
| Fair value reserve | 1,957 | (1,443) | 1,957 | (1,443) |
| | (7,292) | (7,911) | 1,957 | (1,443) |

(a) Foreign currency translation reserve

The foreign currency translation reserve records 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. It also includes the effect of exchange differences arising on monetary items that form part of the Group's net investment in foreign operations.

| | Group | |
|---|---------|---------|
| | 2022 | 2021 |
| | \$'000 | \$'000 |
| At 1 January | (6,468) | (7,649) |
| Net effect of exchange differences arising from quasi capital loan to subsidiaries ⁽¹⁾ | (3,511) | 1,226 |
| Net effect of exchange differences arising from translation of financial statements of foreign operations | 730 | (45) |
| At 31 December | (9,249) | (6,468) |

⁽¹⁾ This relates to quasi capital loan within the Group.



NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2022

31 OTHER RESERVES (cont'd)

(b) Fair value reserve

| | Group and Company | |
|--|-------------------|---------|
| | 2022 | 2021 |
| | \$'000 | \$'000 |
| At 1 January | (1,443) | (4,843) |
| Change in fair value of equity investment at FVOCI | 3,400 | 3,400 |
| At 31 December | 1,957 | (1,443) |

32. RELATED PARTY TRANSACTIONS

(a) Sale and purchase of goods and services

In addition to related party information disclosed elsewhere in the financial statements, the following significant transactions took place at terms agreed between the parties during the financial year:

| | Group | | Company | |
|---|-----------------|--------|--------------|---------|
| | Related parties | | Subsidiaries | |
| | 2022 | 2021 | 2022 | 2021 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Income | | | | |
| Charter hire fee income | – | – | 17 | 28 |
| Commission income | – | – | 450 | 360 |
| Management fee income | – | – | 2,470 | 2,470 |
| Interest income | – | – | 4,596 | 3,367 |
| Rental income | 1 | 1 | 554 | 1,884 |
| Dividend income | – | – | 6,000 | 6,000 |
| Wharfage charges | 37 | 38 | – | – |
| Maintenance service | 1 | – | – | – |
| Sale of inventory | – | – | – | 5 |
| Expense | | | | |
| Ship building costs | – | – | (2,546) | (9,674) |
| Project management cost | – | – | (3,825) | (3,674) |
| Interest expense | – | – | (315) | (22) |
| Ship management expense | – | – | (88) | (226) |
| Ship repair cost | – | – | (154) | (271) |
| Charter hire expense | – | – | (462) | (420) |
| Vessel maintenance cost | (20) | (53) | (4,507) | (2,774) |
| Rental expenses | – | – | (64) | (508) |
| Others | | | | |
| Purchase of property, plant and equipment | – | (414) | – | – |

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2022

32. RELATED PARTY TRANSACTIONS (cont'd)

(b) Compensation of key management personnel

| | Company | |
|--------------------------------------|---------|--------|
| | 2022 | 2021 |
| | \$'000 | \$'000 |
| Short-term employee benefits expense | 2,635 | 2,499 |
| Central Provident Fund contributions | 97 | 95 |
| | 2,732 | 2,594 |
| Comprise amounts paid to: | | |
| Directors of the Company | 1,820 | 1,812 |
| Other key management personnel | 912 | 782 |
| | 2,732 | 2,594 |

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

33. GUARANTEES

The Group and Company had outstanding bank guarantees amounting to approximately \$10,505,000 (2021: \$14,956,000) and \$7,410,000 (2021: \$13,231,000) respectively, in respect of the performance of charter-hire and shipbuilding contracts (2021: charter-hire and shipbuilding contracts).

34. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services, and has two reportable operating segments as follows:

- The chartering segment provides chartering of motor launches.
- The shipbuilding and ship repairs and maintenance segment act as a builder of high speed aluminium commercial vessels and contractor for ship repairs and maintenance services.

Except as indicated above, no operating results have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements.



NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2022

34. SEGMENT INFORMATION (cont'd)

| | Chartering | | Shipbuilding, ship repairs and maintenance | | Adjustments and eliminations | | Notes | Total | |
|-----------------------------|------------|---------|--|---------|---------------------------------|----------|-------|----------|----------|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 | | 2022 | 2021 |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | | \$'000 | \$'000 |
| Revenue: | | | | | | | | | |
| Sales to external customers | 30,854 | 26,320 | 104,373 | 106,329 | - | - | | 135,227 | 132,649 |
| Inter-segment sales | 847 | 445 | 64,669 | 40,255 | (65,516) | (40,700) | A | - | - |
| Total revenue | 31,701 | 26,765 | 169,042 | 146,584 | (65,516) | (40,700) | | 135,227 | 132,649 |
| Results: | | | | | | | | | |
| Finance income | 442 | 486 | 1,569 | 277 | (788) | (287) | B | 1,223 | 476 |
| Dividend income | 6,000 | 6,000 | - | - | (6,000) | (6,000) | | - | - |
| Depreciation | (9,257) | (8,376) | (4,236) | (3,572) | 1,161 | 13 | B | (12,332) | (11,935) |
| Financial costs | (450) | (293) | (938) | (495) | 788 | 287 | B | (600) | (501) |
| Impairment on inventories | - | (126) | - | - | - | - | | - | (126) |
| Other non-cash expenses | (62) | (3) | 250 | (301) | - | - | | 188 | (304) |
| Segment profit before tax | 9,631 | 10,090 | 8,670 | 11,195 | (3,673) | (6,373) | C | 14,628 | 14,912 |
| Taxation | | | | | | | | (4,074) | (2,244) |
| Profit for the year | | | | | | | | 10,554 | 12,668 |

The following table presents assets, liabilities and other segment information regarding the Group's business segments for the years ended 31 December 2022 and 2021:

| | Chartering | | Shipbuilding, ship repairs and maintenance | | Discontinued operation | | Adjustments and eliminations | | Notes | Total | |
|---------------------------------|------------|---------|--|---------|---------------------------|--------|---------------------------------|----------|-------|---------|---------|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 | | 2022 | 2021 |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | | \$'000 | \$'000 |
| Assets and liabilities: | | | | | | | | | | | |
| Additions to non-current assets | 63,902 | 35,571 | 13,386 | 27,965 | - | - | (11,622) | (6,188) | D | 65,666 | 57,348 |
| Goodwill | - | - | 78 | 78 | - | - | - | - | | 78 | 78 |
| Segment assets | 181,220 | 130,111 | 163,598 | 141,884 | 367 | 367 | (26,730) | (15,544) | E | 318,455 | 256,818 |
| Segment liabilities | 24,102 | 19,282 | 89,504 | 40,710 | - | - | 6,746 | 4,942 | F | 120,352 | 64,934 |

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2022

34. SEGMENT INFORMATION (cont'd)

Notes: Nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements

- A. Inter-segment revenues are eliminated on consolidation.
- B. Inter-segment interest income and finance expenses are eliminated on consolidation. Depreciation on mark-up arising from inter-segment sale of motor launches are also eliminated on consolidation.
- C. The following items are added to/(deducted from) segment profit/(loss) before tax to arrive at "profit/(loss) before tax" presented in the consolidated income statement:

| | 2022 \$'000 | 2021 \$'000 |
|---------------------------------|----------------|----------------|
| From inter-segment transactions | (6,929) | (6,570) |
| Unallocated income | 3,643 | 1,500 |
| Unallocated expenses | (387) | (1,303) |
| | (3,673) | (6,373) |

The unallocated income pertain mainly to the early move-out and relocation from 18 Tuas Basin Link and reversal of restoration cost on leased land (2021: reversal of restoration cost on leased land).

The unallocated expenses pertain mainly to depreciation of leasehold building.

- D. The adjustments and eliminations relate to additions to leasehold building which cannot be allocated to each segment and inter-segment sales of motor launches.
- E. The following items are added to/(deducted from) segment assets to arrive at total assets reported in the consolidated balance sheet:

| | 2022 \$'000 | 2021 \$'000 |
|----------------------|----------------|----------------|
| Inter-segment assets | (26,730) | (15,931) |
| Unallocated assets | - | 387 |
| | (26,730) | (15,544) |

The unallocated assets pertain mainly to leasehold building.

- F. The following items are added to/(deducted from) segment liabilities to arrive at total liabilities reported in the consolidated balance sheet:

| | 2022 \$'000 | 2021 \$'000 |
|--------------------------------|----------------|----------------|
| Inter-segment liabilities | (536) | (93) |
| Deferred tax liabilities | 4,841 | 2,743 |
| Current tax liabilities | 2,441 | 1,801 |
| Provision for restoration cost | - | 491 |
| | 6,746 | 4,942 |



NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2022

34. SEGMENT INFORMATION (cont'd)

Geographical information

Revenue information based on the geographical location of the customers is as follows:

| | Vessel Chartering | | Shipbuilding, ship repairs and maintenance | | Total | |
|------------------------|-------------------|--------|--|---------|---------|---------|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Singapore | 4,950 | 4,809 | 7,026 | 13,416 | 11,976 | 18,225 |
| Rest of Southeast Asia | 23,480 | 20,026 | 6,674 | 432 | 30,154 | 20,458 |
| East Asia | – | – | 6,740 | 5,552 | 6,740 | 5,552 |
| Africa | 1,098 | 1,079 | 24,659 | 51,885 | 25,757 | 52,964 |
| Europe | – | 406 | 43,324 | 28,235 | 43,324 | 28,641 |
| North America | – | – | 9,128 | – | 9,128 | – |
| South Asia | – | – | – | 5,881 | – | 5,881 |
| Middle East | 1,326 | – | 6,691 | – | 8,017 | – |
| Others | – | – | 131 | 928 | 131 | 928 |
| | 30,854 | 26,320 | 104,373 | 106,329 | 135,227 | 132,649 |

Management does not monitor non-current assets and capital expenditure by geographical segment because the non-current assets comprise mainly of vessels which cannot be meaningfully allocated as the vessels can be deployed on different routes.

Information about major customers

Revenue from three (2021: three) major customers amounted to \$61,596,000 (2021: \$55,017,000), arising from chartering and shipbuilding, ship repairs and maintenance (2021: chartering and shipbuilding, ship repairs and maintenance) segments.

35. DIVIDENDS

Paid during the financial year

Dividends on ordinary shares:

Group and Company
2022 **2021**
\$'000 \$'000

- Final exempt (one-tier) dividend for 2021: 2.25 cents per share (2020: NIL) per share

4,954 –

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2022

35. DIVIDENDS (cont'd)

Proposed but not recognised as a liability as at 31 December:

Dividends on ordinary shares, subject to shareholders' approval at the Annual General Meeting:

Group and Company
2022 **2021**
\$'000 \$'000

- Final exempt (one-tier) dividend for 2022: 2.25 cents (2021: 2.25 cents) per share

4,954 4,954

36. FAIR VALUE OF FINANCIAL INSTRUMENTS

(a) *Classification of financial instruments*

| | Financial assets at amortised cost | Financial assets/liabilities at fair value through profit or loss | Financial assets at fair value through other comprehensive income | Financial liabilities at amortised cost | Total |
|--------------------------------|------------------------------------|---|---|---|--------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Group | | | | | |
| 2022 | | | | | |
| Assets | | | | | |
| Other investments | – | – | 9,957 | – | 9,957 |
| Trade receivables | 35,003 | – | – | – | 35,003 |
| Other receivables and deposits | 10,330 | – | – | – | 10,330 |
| Derivatives | – | 487 | – | – | 487 |
| Fixed deposits | 2,453 | – | – | – | 2,453 |
| Cash and bank balances | 12,525 | – | – | – | 12,525 |
| | 60,311 | 487 | 9,957 | – | 70,755 |
| Liabilities | | | | | |
| Trade payables | – | – | – | 31,664 | 31,664 |
| Other payables and accruals | – | – | – | 32,619 | 32,619 |
| Term loans | – | – | – | 23,894 | 23,894 |
| Lease liabilities | – | – | – | 7,689 | 7,689 |
| Derivatives | – | 49 | – | – | 49 |
| | – | 49 | – | 95,866 | 95,915 |



NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2022

36. FAIR VALUE OF FINANCIAL INSTRUMENTS (cont'd)

(a) Classification of financial instruments (cont'd)

| | Financial assets at amortised cost \$'000 | Financial assets/liabilities at fair value through profit or loss \$'000 | Financial assets at fair value through other comprehensive income \$'000 | Financial liabilities at amortised cost \$'000 | Total \$'000 |
|--------------------------------|--|---|---|---|-----------------|
| 2021 | | | | | |
| Assets | | | | | |
| Other investments | – | – | 6,557 | – | 6,557 |
| Trade receivables | 38,717 | – | – | – | 38,717 |
| Other receivables and deposits | 7,724 | – | – | – | 7,724 |
| Derivatives | – | 35 | – | – | 35 |
| Fixed deposits | 2,264 | – | – | – | 2,264 |
| Cash and bank balances | 18,777 | – | – | – | 18,777 |
| | <u>67,482</u> | <u>35</u> | <u>6,557</u> | <u>–</u> | <u>74,074</u> |
| Liabilities | | | | | |
| Trade payables | – | – | – | 11,854 | 11,854 |
| Other payables and accruals | – | – | – | 14,389 | 14,389 |
| Term loans | – | – | – | 15,234 | 15,234 |
| Lease liabilities | – | – | – | 8,193 | 8,193 |
| | <u>–</u> | <u>–</u> | <u>–</u> | <u>49,670</u> | <u>49,670</u> |

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2022

36. FAIR VALUE OF FINANCIAL INSTRUMENTS (cont'd)

(a) Classification of financial instruments (cont'd)

| | Financial assets at amortised cost \$'000 | Financial assets/liabilities at fair value through profit or loss \$'000 | Financial assets at fair value through other comprehensive income \$'000 | Financial liabilities at amortised cost \$'000 | Total \$'000 |
|--------------------------------|--|---|---|---|-----------------|
| Company | | | | | |
| 2022 | | | | | |
| Assets | | | | | |
| Other investments | – | – | 9,957 | – | 9,957 |
| Trade receivables | 5,233 | – | – | – | 5,233 |
| Other receivables and deposits | 238 | – | – | – | 238 |
| Derivatives | – | 487 | – | – | 487 |
| Loans to subsidiaries | 156,603 | – | – | – | 156,603 |
| Cash and bank balances | 1,351 | – | – | – | 1,351 |
| | <u>163,425</u> | <u>487</u> | <u>9,957</u> | <u>–</u> | <u>173,869</u> |
| Liabilities | | | | | |
| Trade payables | – | – | – | 7 | 7 |
| Other payables and accruals | – | – | – | 1,827 | 1,827 |
| Deposits from subsidiaries | – | – | – | 22,644 | 22,644 |
| Term loans | – | – | – | 23,894 | 23,894 |
| Derivatives | – | 49 | – | – | 49 |
| | <u>–</u> | <u>49</u> | <u>–</u> | <u>48,372</u> | <u>48,421</u> |
| 2021 | | | | | |
| Assets | | | | | |
| Other investments | – | – | 6,557 | – | 6,557 |
| Trade receivables | 2,204 | – | – | – | 2,204 |
| Other receivables and deposits | 169 | – | – | – | 169 |
| Derivatives | – | 35 | – | – | 35 |
| Loans to subsidiaries | 124,344 | – | – | – | 124,344 |
| Cash and bank balances | 4,674 | – | – | – | 4,674 |
| | <u>131,391</u> | <u>35</u> | <u>6,557</u> | <u>–</u> | <u>137,983</u> |
| Liabilities | | | | | |
| Trade payables | – | – | – | 82 | 82 |
| Other payables and accruals | – | – | – | 1,965 | 1,965 |
| Deposits from subsidiaries | – | – | – | 10,547 | 10,547 |
| Lease liabilities | – | – | – | 150 | 150 |
| Term loans | – | – | – | 15,234 | 15,234 |
| | <u>–</u> | <u>–</u> | <u>–</u> | <u>27,978</u> | <u>27,978</u> |



NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2022

36. FAIR VALUE OF FINANCIAL INSTRUMENTS (cont'd)

(b) Fair value of financial instruments that are carried at fair value

Fair value is defined as the amount at which the financial instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced or liquidation sale. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models as appropriate.

Fair value hierarchy

The Group classifies fair value measurement using a fair value hierarchy that is dependent on the valuation inputs used in making the measurements as follows:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at measurement date,
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and
- Level 3 – Unobservable inputs for the asset or liability.

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.

As at 31 December 2022, the Group has investment in quoted equity security representing Level 1 financial asset which is carried at fair value amount of \$9,957,000 (2021: \$6,557,000). The quoted equity security is listed on the SGX-ST in Singapore.

(c) 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 trade receivables, other receivables and deposits, contract assets, loans to subsidiaries, cash and cash equivalents, trade payables, other payables and accruals, term loans, and deposits from subsidiaries are reasonable approximation of fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the end of the reporting period.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group and the Company is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, foreign currency risk and interest rate risk. It is, and has been throughout the current and previous financial year, the Group's policy that no derivatives for speculative purposes shall be undertaken. The Group does not apply hedge accounting.

The following sections provide details regarding the Group's and Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

There has been no change to the Group's exposure to the financial risks or the manner in which it manages and measures the risks.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2022

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The carrying amount of cash and fixed deposits, trade and other receivables and contract assets represent the Group's maximum exposure to credit risk in relation to financial assets. No other financial assets carry a significant exposure to credit risk.

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount.

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the country and industry sector profile of its trade and other receivables on an on-going basis. The credit risk concentration profile of the Group's trade and other receivables at the balance sheet date is as follows:

| | 2022 | | Group | | 2021 | |
|---------------------------------------|--------|-----|--------|-----|--------|---|
| | \$'000 | % | \$'000 | % | \$'000 | % |
| By country: | | | | | | |
| Singapore | 7,983 | 18 | 2,762 | 6 | | |
| Malaysia | 8,449 | 20 | 6,131 | 14 | | |
| Rest of Southeast Asia | 108 | – | 3,408 | 7 | | |
| Africa | 8,848 | 21 | 8,195 | 18 | | |
| East Asia | – | – | 2,587 | 6 | | |
| South Asia | 1,197 | 3 | 4,532 | 10 | | |
| Europe | 15,030 | 35 | 17,306 | 39 | | |
| Others | 1,407 | 3 | 18 | – | | |
| | 43,022 | 100 | 44,939 | 100 | | |
| By industry sectors: | | | | | | |
| Chartering | 15,828 | 37 | 13,199 | 29 | | |
| Shipbuilding, repairs and maintenance | 27,194 | 63 | 31,740 | 71 | | |
| | 43,022 | 100 | 44,939 | 100 | | |



NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2022

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(a) Credit risk (cont'd)

At the end of the reporting period:

- Approximately 52% (2021: 46%) of the Group's trade receivables were due from three (2021: three) major customers consisting of multi-industry conglomerates located in various countries.
- Approximately 86% (2021: 99%) of the Company's trade receivables were due from two (2021: two) major customers consisting of government ministries and a multinational corporation.

Financial assets that are neither past due nor impaired

Trade and other receivables and contract assets that are neither past due nor impaired are creditworthy debtors with good payment record with the Group. Cash and cash equivalents are placed with reputable financial institutions with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 18.

(b) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The maturity profile of the Group's and the Company's financial liabilities at the end of the reporting period based on contractual undiscounted payments is as follows.

| | Within 1 year \$'000 | 1 to 5 years \$'000 | Over 5 years \$'000 | Total \$'000 |
|--|----------------------------|---------------------------|---------------------------|-----------------|
| Group | | | | |
| 2022 | | | | |
| Financial liabilities | | | | |
| Trade payables | 31,664 | – | – | 31,664 |
| Other payables and accruals | 32,619 | – | – | 32,619 |
| Term loans | 8,860 | 14,608 | 3,493 | 26,961 |
| Lease liabilities | 203 | 2,562 | 5,740 | 8,505 |
| Total undiscounted financial liabilities | 73,346 | 17,170 | 9,233 | 99,749 |

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2022

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(b) Liquidity risk (cont'd)

| | Within 1 year \$'000 | 1 to 5 years \$'000 | Over 5 years \$'000 | Total \$'000 |
|--|----------------------------|---------------------------|---------------------------|-----------------|
| Group | | | | |
| 2021 | | | | |
| Financial liabilities | | | | |
| Trade payables | 11,854 | – | – | 11,854 |
| Other payables and accruals | 14,389 | – | – | 14,389 |
| Term loans | 7,024 | 9,620 | – | 16,644 |
| Lease liabilities | 1,103 | 2,594 | 6,249 | 9,946 |
| Total undiscounted financial liabilities | 34,370 | 12,214 | 6,249 | 52,833 |
| Company | | | | |
| 2022 | | | | |
| Financial liabilities | | | | |
| Trade payables | 7 | – | – | 7 |
| Other payables and accruals | 1,827 | – | – | 1,827 |
| Deposits from subsidiaries | 23,114 | – | – | 23,114 |
| Term loans | 8,860 | 14,608 | 3,493 | 26,961 |
| Total undiscounted financial liabilities | 33,808 | 14,608 | 3,493 | 51,909 |
| 2021 | | | | |
| Financial liabilities | | | | |
| Trade payables | 82 | – | – | 82 |
| Other payables and accruals | 1,965 | – | – | 1,965 |
| Deposits from subsidiaries | 10,572 | – | – | 10,572 |
| Term loans | 7,024 | 9,620 | – | 16,644 |
| Lease liabilities | 151 | – | – | 151 |
| Total undiscounted financial liabilities | 19,794 | 9,620 | – | 29,414 |



NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2022

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(c) Foreign currency risk

The Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of Group entities. The foreign currencies in which these transactions are denominated are mainly United States Dollar ("USD").

The Group and the Company also hold cash and cash equivalents denominated in foreign currencies for working capital purposes. At the end of the reporting period, such foreign currency balances amounted to \$8,623,000 (2021: \$7,356,000) and \$174,000 (2021: \$276,000) for the Group and the Company respectively.

The Group is also exposed to currency translation risk arising from its net investments in foreign operations, including Malaysia and Indonesia. The Group's net investments in Malaysia and Indonesia that are not hedged as currency positions in Ringgit and Rupiah are considered to be long-term in nature.

The foreign currency risk is primarily managed by natural hedges of matching assets and liabilities denominated in foreign currencies. In addition, the Group uses forward currency contracts to reduce the currency exposures on material transactions, as deemed by management for which payment is anticipated more than one month after the Group has entered into a firm commitment for the sale. The Group has also been closely monitoring the foreign currency risk and has considered various hedging options for significant foreign currency exposure as and when the need arises.

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity to a reasonably possible change in the USD exchange rate (against SGD), with all other variables held constant, of the Group's profit/(loss) before tax.

| | Increase/ (decrease) in profit before tax 2022 \$'000 | Increase/ (decrease) in profit before tax 2021 \$'000 |
|--------------------------------------|--|--|
| USD/SGD – strengthened 3% (2021: 3%) | 433 | 283 |
| USD/SGD – weakened 3% (2021: 3%) | (433) | (283) |

(d) Market price risk

Market price risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market prices (other than interest or exchange rates). The Group is exposed to equity price risks arising from equity investment in quoted equity securities. These securities are quoted on the Singapore Exchange Securities Trading Limited (SGX-ST) in Singapore and are classified as other investments. The Group does not have exposure to commodity price risk.

Sensitivity analysis for equity price risk

At the end of the reporting period, if the price of the shares held had been 5% higher/ lower with all other variables held constant, the Group's other comprehensive income would have been \$498,000 (2021: \$328,000) higher/lower, arising as a result of an increase/ decrease in the fair value of equity securities classified as other investments.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2022

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(e) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises primarily from their term loans denominated in SGD.

Sensitivity analysis for interest rate risk

The following table demonstrates the sensitivity to a reasonably possible change in SGD interest rates with all other variables held constant, of the Group's profit before tax.

| | Increase/ (decrease) in profit before tax 2022 \$'000 | Increase/ (decrease) in profit before tax 2021 \$'000 |
|------------------------------|--|--|
| Increase in 100 basis points | 196 | 98 |
| Decrease in 100 basis points | (196) | (98) |

The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

38. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2022 and 31 December 2021.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group's policy is to maintain the gearing ratio at less than 50%. The Group includes within net debt loans and borrowings, less cash and fixed deposits. Capital includes equity attributable to the owners of the Company.

39. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the year ended 31 December 2022 were authorised for issue in accordance with a resolution of the Directors on 20 March 2023.



STATISTICS OF SHAREHOLDINGS

As at 17 March 2023

| | |
|---|--------------------|
| Number of Issued and Paid up shares (excluding treasury shares and subsidiary holdings) | : 220,169,774 |
| Class of Shares | : Ordinary Shares |
| Voting Rights | : 1 vote per share |
| Treasury Shares | : Nil |
| Subsidiary Holdings | : Nil |

DISTRIBUTION OF SHAREHOLDINGS

| SIZE OF SHAREHOLDINGS | NO. OF SHAREHOLDERS | % | NO. OF SHARES | % |
|-----------------------|---------------------|---------------|--------------------|---------------|
| 1 - 99 | 171 | 7.46 | 8,338 | 0.00 |
| 100 - 1,000 | 1,120 | 48.85 | 520,237 | 0.24 |
| 1,001 - 10,000 | 657 | 28.65 | 3,105,233 | 1.41 |
| 10,001 - 1,000,000 | 336 | 14.65 | 17,079,561 | 7.76 |
| 1,000,001 AND ABOVE | 9 | 0.39 | 199,456,405 | 90.59 |
| TOTAL | 2,293 | 100.00 | 220,169,774 | 100.00 |

TWENTY LARGEST SHAREHOLDERS

| NO. | NAME | NO. OF SHARES | % |
|--------------|---|--------------------|--------------|
| 1 | DBS NOMINEES (PRIVATE) LIMITED | 183,034,712 | 83.13 |
| 2 | PHILLIP SECURITIES PTE LTD | 6,566,378 | 2.98 |
| 3 | CITIBANK NOMINEES SINGAPORE PTE LTD | 1,900,869 | 0.86 |
| 4 | UOB KAY HIAN PRIVATE LIMITED | 1,675,133 | 0.76 |
| 5 | OCBC SECURITIES PRIVATE LIMITED | 1,413,065 | 0.64 |
| 6 | NG KWONG CHONG OR LIU OI FUI IVY | 1,336,666 | 0.61 |
| 7 | ONG SHYH CHANG | 1,333,333 | 0.61 |
| 8 | TEO JIA HAO | 1,101,400 | 0.50 |
| 9 | UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED | 1,094,849 | 0.50 |
| 10 | CHEE SEE GIAP @ SIN CHIEN | 910,599 | 0.41 |
| 11 | NG KIM GUAT | 727,466 | 0.33 |
| 12 | IFAST FINANCIAL PTE LTD | 689,131 | 0.31 |
| 13 | LIM SOON TECK | 550,000 | 0.25 |
| 14 | TAN KOK CHING | 500,000 | 0.23 |
| 15 | CHEONG KIT CHONG | 340,000 | 0.15 |
| 16 | GUAN GUAN INVESTMENTS PTE LTD | 320,000 | 0.15 |
| 17 | THIO MA LANG | 306,000 | 0.14 |
| 18 | WONG TONG LIEW | 300,000 | 0.14 |
| 19 | WONG CHEUNG CHAI | 293,333 | 0.13 |
| 20 | MAYBANK SECURITIES PTE. LTD. | 260,933 | 0.12 |
| TOTAL | | 204,653,867 | 92.95 |

PERCENTAGE OF SHAREHOLDINGS HELD BY THE PUBLIC AS AT 17 MARCH 2023

Based on the Register of Members and to the best knowledge of the Company, the percentage of shareholdings held in the hands of public is approximately 19.95%. Accordingly, the Company complies with Rule 723 of the Listing Manual.

STATISTICS OF SUBSTANTIAL SHAREHOLDERS

As at 17 March 2023

| Name of Substantial Shareholder | No. of Shares | Direct Interest | | Deemed Interest | |
|---|---------------|-----------------|---------------|-----------------|---------------|
| | | % | No. of Shares | % | No. of Shares |
| Emet Grace Ltd. | 176,240,539 | 80.05% | - | - | - |
| Jeffrey Hing Yih Peir ¹ | - | - | 176,240,539 | 80.05% | 80.05% |
| Fairy L.P. (acting by its general partner, Fairy Ltd.) ² | - | - | 176,240,539 | 80.05% | 80.05% |
| Fairy Ltd. ³ | - | - | 176,240,539 | 80.05% | 80.05% |
| Diamond GP Holdings II Ltd ⁴ | - | - | 176,240,539 | 80.05% | 80.05% |
| Dymon Asia Private Equity (S.E. Asia) II Ltd ⁵ | - | - | 176,240,539 | 80.05% | 80.05% |
| DAPE Ltd ⁶ | - | - | 176,240,539 | 80.05% | 80.05% |

Notes:

- By virtue of Jeffrey Hing Yih Peir holding 55% of the issued and paid-up share capital of Emet Grace Ltd, Jeffrey Hing Yih Peir is deemed to be interested in the shares owned by Emet Grace Ltd ("Shares").
- By virtue of Fairy L.P. (acting by its general partner, Fairy Ltd) holding 40% of the issued and paid-up share capital of Emet Grace Ltd, Fairy L.P. (acting by its general partner, Fairy Ltd.) is deemed to be interested in the Shares.
- By virtue of Fairy Ltd. being the general partner of Fairy L.P. and being responsible for managing controlling, operating and making investment decisions on behalf of Fairy L.P, Fairy Ltd. is deemed to be interested in the Shares.
- By virtue of Diamond GP Holdings II Ltd being the sole shareholder of Fairy Ltd, Diamond GP Holdings II Ltd is deemed to be interested in the Shares.
- By virtue of Dymon Asia Private Equity (S.E. Asia) II Ltd being the sole shareholder of Diamond GP Holdings II Ltd, Dymon Asia Private Equity (S.E. Asia) II Ltd is deemed to be interested in the Shares.
- By virtue of DAPE Ltd being the sole shareholder of Dymon Asia Private Equity (S.E. Asia) II Ltd, DAPE Ltd is deemed to be interested in the Shares.

Total number of issued shares as at 17 March 2023: 220,169,774 ordinary shares.





PENGUIN INTERNATIONAL LIMITED
(Incorporated in the Republic of Singapore)
(Company Registration Number: 197600165Z)

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 2023 Annual General Meeting of Penguin International Limited (the “Company”) will be held by way of electronic means on Thursday, 27 April 2023 at 10.30 a.m., to transact the following business:-

ORDINARY BUSINESS

- | | | |
|----|--|---------------------|
| 1. | To receive and adopt the Directors’ Statement and the Audited Financial Statements for the financial year ended 31 December 2022 and the Auditor’s Report thereon. | Resolution 1 |
| 2. | To declare and approve a first and final tax exempt (one-tier) dividend of 2.25 cents per ordinary share for the financial year ended 31 December 2022. | Resolution 2 |
| 3. | To approve the payment of Directors’ fees of S\$184,000.00 for the financial year ended 31 December 2022. (2021: S\$173,666.67). | Resolution 3 |
| 4. | To re-elect Mr. Jeffrey Hing Yih Peir, a Director retiring pursuant to Regulation 92 of the Company’s Constitution. <i>[See Explanatory Note (a)]</i> | Resolution 4 |
| 5. | To re-elect Mr. Leow Ban Tat, a Director retiring pursuant to Regulation 92 of the Company’s Constitution. <i>[See Explanatory Note (b)]</i> | Resolution 5 |
| 6. | To re-elect Mr. Winston Kwek Choon Lin, a Director retiring pursuant to Regulation 92 of the Company’s Constitution. <i>[See Explanatory Note (c)]</i> | Resolution 6 |
| 7. | To re-appoint PKF-CAP LLP as the auditor of the Company for the ensuing year and to authorise the Directors to fix their remuneration. | Resolution 7 |

SPECIAL BUSINESS

To consider and, if thought fit, to pass the following Ordinary Resolutions, with or without modifications:

- | | | |
|----|--|---------------------|
| 8. | Share Issue Mandate | Resolution 8 |
| | <p>“That pursuant to Section 161 of the Companies Act 1967 and the Listing Manual (“Listing Manual”) of the Singapore Exchange Securities Trading Limited (“SGX-ST”), authority be and is hereby given to the Directors of the Company to:</p> <p>(a) (i) issue shares in the capital of the Company (“Shares”) whether by way of bonus issue, rights issue or otherwise; and/or</p> <p>(ii) make or grant offers, agreements or options (collectively “Instruments”) that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into Shares; and/or</p> <p>at any time to such persons and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit; and</p> <p>(b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue Shares in pursuance of any Instrument made or granted by the Directors while this Resolution is in force,</p> | |

provided that:

- | | |
|-------|--|
| (i) | the aggregate number of Shares to be issued pursuant to this Resolution (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 50% of the total number of issued Shares (excluding treasury shares and subsidiary holdings, if any) in the capital of the Company at the time of passing of this Resolution, of which the aggregate number of Shares issued other than on a pro rata basis does not exceed 20% of the total number of issued Shares (excluding treasury shares and subsidiary holdings, if any) in the capital of the Company. |
| (ii) | for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (i) above, the total number of issued Shares (excluding treasury shares and subsidiary holdings) shall be based on the total number of issued Shares (excluding treasury shares and subsidiary holdings) as at the time of the passing of this Resolution after adjusting for: <ul style="list-style-type: none"> (aa) new Shares arising from the conversion or exercise of convertible securities; (bb) new Shares arising from exercising share options or vesting of share awards provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual of the SGX-ST; and (cc) any subsequent bonus issue, consolidation or subdivision of Shares; <p>and provided also that adjustments in accordance with (aa) or (bb) are only to be made in respect of new shares arising from convertible securities, share options or share awards which were issued and outstanding or subsisting at the time this Resolution is passed; and</p> |
| (iii) | (unless revoked or varied by the Company in general meeting) the authority conferred by this Resolution shall 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 the earlier and in this Resolution, “subsidiary holdings” has the meaning given to it in the Listing Manual of the SGX-ST.” <i>[See Explanatory Note (d)]</i> |

- | | | |
|----|---|---------------------|
| 9. | The Proposed Renewal of the Share Buy-back Mandate | Resolution 9 |
|----|---|---------------------|

“That:

- | | |
|-----|---|
| (a) | for the purposes of the Companies Act 1967 (the “Companies Act”), the exercise by the Directors of the Company of all the powers of the Company to purchase or otherwise acquire issued Shares (“Share Buy-Back”) not exceeding in aggregate the Prescribed Limit (as hereafter defined), at such price(s) as may be determined by the Directors from time to time up to the Maximum Price (as hereafter defined), whether by way of:- <ul style="list-style-type: none"> (i) An on-market Share Buy-Back (“On-Market Share Buy-back”), transacted on the SGX-ST’s trading system; and/or (ii) An off-market Share Buy-Back (“Off-Market Equal Access Share Buy-back”) effected otherwise than on the SGX-ST in accordance with any equal access scheme(s) as may be determined or formulated by the Directors of the Company as they consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act, and otherwise in accordance with all other laws and regulations and rules of the SGX-ST as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the “Share Buy-back Mandate”); |
|-----|---|



(b) unless varied or revoked by the Company in a general meeting, the authority conferred on the Directors of the Company pursuant to the Share Buy-back 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 date on which the next Annual General Meeting of the Company is held;
- (ii) the date on which the Share Buy-backs are carried out to the full extent mandated; or
- (iii) the date by which next Annual General Meeting of the Company is required by law to be held;

(c) In this Resolution:-

"Prescribed Limit" means ten per cent (10%) of the total number of Shares issued by the Company (excluding any treasury shares and subsidiary holdings that may be held by the Company) as at the date of passing of this Resolution; and

"Maximum Price" in relation to a Share to be purchased or acquired, means an amount (excluding brokerage, commission, stamp duties, applicable goods and services tax, clearance fees and other related expenses) not exceeding:-

- (i) in the case of an On-Market Share Buy-back, 105% of the Average Closing Price of the Shares; and
- (ii) in the case of an Off-Market Equal Access Share Buy-back pursuant to an equal access scheme, 110% of the Average Closing Price of the Shares;

Where:-

"Average Closing Price" means the average of the last dealt prices of an ordinary Share for the five consecutive Market Days on which the Shares are transacted on the SGX-ST immediately preceding the date of the On-Market Share Buy-back by the Company or, as the case may be, the date of the making of the offer pursuant to the Off-Market Equal Access Buy-back, and deemed to be adjusted, in accordance with the Listing Manual, for any corporate action that occurs after the relevant five-day period;

"Market Day" means a day on which the SGX-ST is open for trading in securities; and

"Date of the making of the offer" means the date on which the Company announces its intention to make an offer for an Off-Market Equal Access Share Buy-back, stating the purchase price which shall not be more than 110% of the Average Closing Price of the Shares (excluding related expenses of the purchase or acquisition) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Equal Access Share Buy-back.

(d) the Directors of the Company and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they and/or he may consider expedient or necessary to give effect to the transactions contemplated by this Resolution." [See Explanatory Note (e)]

NOTICE IS HEREBY GIVEN that the Share Transfer Books and Register of Members of the Company will be closed on 10 May 2023 at 5.00 p.m. for the purpose of determining members' entitlement to the proposed first and final tax exempt (one-tier) dividend of 2.25 cents per ordinary share for the financial year ended 31 December 2022 (the **"Proposed Dividend"**).

Duly completed transfers received by the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., 1 Harbourfront Avenue, #14-07 Keppel Bay Tower, Singapore 098632, up to 5.00 p.m. on 10 May 2023 will be registered before members' entitlement to the Proposed Dividend is determined.

Members (being depositors) whose securities accounts with The Central Depository (Pte) Limited are credited with ordinary shares of the Company as at 5.00 p.m. on 10 May 2023 will be entitled to the Proposed Dividend.

The Proposed Dividend, if approved at the 2023 Annual General Meeting, will be paid on 23 May 2023.

By Order Of The Board

Heng Michelle Fiona
Company Secretary
6 April 2023

Explanatory Notes:

- (a) Detailed information pursuant to Rule 720(6) of the Listing Manual of the SGX-ST on Mr Jeffrey Hing Yih Peir can be found under the section entitled "Additional Information on Directors Seeking Re-Election".
- (b) Mr. Leow Ban Tat, an Independent Director, if re-elected, will continue to serve as Chairman of the Nominating Committee and member of the Remuneration and Audit & Risk Committees. He is considered an independent director for purposes of Rule 704(8) of the Listing Manual. For further information on Mr. Leow, please refer to the section on the "Board of Directors" in the Annual Report 2022. Detailed information pursuant to Rule 720(6) of the Listing Manual of the SGX-ST on Mr Leow can be found under the section entitled "Additional Information on Directors Seeking Re-Election".
- (c) Mr Winston Kwek Choon Lin, an Independent Director, if re-elected, will continue to serve as the Lead Independent Director, Chairman of the Remuneration Committee and member of the Audit & Risk and Nominating Committees. He is considered an independent director for purposes of Rule 704(8) of the Listing Manual of the SGX-ST. For further information on Mr Kwek, please refer to the section on the "Board of Directors" in the Annual Report 2022. Detailed information pursuant to Rule 720(6) of the Listing Manual of the SGX-ST on Mr Kwek can be found under the section entitled "Additional Information on Directors Seeking Re-Election".
- (d) The Ordinary Resolution No. 8, if passed, will empower the Directors from the date of this Annual General Meeting to allot and issue shares and convertible securities in the Company up to an amount not exceeding 50% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company, of which up to 20% may be issued other than on a pro rata basis. This authority will, unless previously revoked or varied at a general meeting, expire at the next Annual General Meeting of the Company.

For the purpose of this resolution, the total number of issued shares (excluding treasury shares and subsidiary holdings) is based on the Company's total number of issued shares (excluding treasury shares and subsidiary holdings) at the time that this proposed Ordinary Resolution is passed after adjusting for new shares arising from the conversion or exercise of convertible securities, the exercise of share options or the vesting of share awards outstanding or subsisting at the time when this proposed Ordinary Resolution is passed and any subsequent bonus issue, consolidation or subdivision of shares.



- (e) The Ordinary Resolution No. 9, if passed, will empower the Directors to make purchases (whether by way of market purchases or off-market purchases on an equal access scheme) from time to time of up to 10% of the total number of issued ordinary shares (excluding treasury shares and subsidiary holdings) in the capital of the Company, at the price up to but not exceeding the Maximum Price. The rationale for the Share Buy-back Mandate, the source of funds to be used for the Share Buy-back Mandate, the impact of the Share Buy-back Mandate on the Company's financial position, the implications arising as a result of the Share Buy-back Mandate under The Singapore Code on Take-overs and Mergers and on the listing of the Company's Shares on the SGX-ST are set out in the Letter to Shareholders dated 6 April 2023.

Notes:

Conduct of Meeting

1. The AGM will be held by electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020.
2. Alternative arrangements relating to attendance at the AGM via electronic means (including arrangements by which the meeting can be electronically accessed via live audio-visual webcast or live audio-only means), submission of questions in advance of the AGM, or "live" at the AGM, addressing of substantial and relevant questions "live" at, or prior to, the AGM and live voting by the Shareholders or his/her/its duly appointed proxy(ies) (other than the Chairman of the AGM) or by appointing the Chairman of the AGM as proxy to vote on the members' behalf at the AGM, are set out herein. Members and proxy(ies) should note that the manner of conducting the AGM may be subject to further changes at short notice depending on any legislative amendments, directives, measures or guidelines from government agencies or regulatory authorities in relation to the evolving COVID-19 situation. Members and proxy(ies) should regularly check the Company's website at <http://www.penguin.com.sg/about-us/investor-relations/> or at the SGX website at <https://www.sgx.com/securities/company-announcements> for any further updates made by the Company

Annual Report 2022, Letter to Shareholders dated 6 April 2023 (in relation to the proposed renewal of share buy-back mandate), Notice of AGM and Proxy Form

3. Documents relating to the business of the AGM which comprise the Company's Annual Report 2022, Letter to Shareholders dated 6 April 2023 (in relation to the proposed renewal of share buy-back mandate), Notice of AGM and Proxy Form have been published on the Company's website at <http://www.penguin.com.sg/about-us/investor-relations/> and on the SGX website at <https://www.sgx.com/securities/company-announcements>. Printed copies of these documents will not be sent to members.

Registration to attend the live audio-visual webcast or live audio-only stream

4. A member will be able to observe and / or listen to the AGM proceedings through a live audio-visual webcast or live audio-only stream via their mobile phones, tablets or computers. In order to do so, a member who wishes to watch the "live" webcast or listen to the "live" audio-only stream must pre-register via the pre-registration website at <https://conveneagm.com/sg/penguin2023> no later than **10.30 a.m. on Monday, 24 April 2023 ("Pre-registration Deadline")**.
5. Following the verification, authenticated members will receive email instructions on how to access the audio-visual webcast and audio-only stream of the proceedings of the AGM by **26 April 2023. Members who do not receive an email by 10.30 a.m. on 26 April 2023**, but who have registered by the Pre-registration Deadline, should immediately contact Convene at support@conveneagm.com.

6. Investors who hold Shares through depository agents (as defined in Section 81SF of the Securities and Futures Act 2001) and wish to watch the live audio-visual webcast or listen to the live audio-only stream of the AGM should approach their respective depository agents to pre-register by **5.00 p.m. on 17 April 2023** in order to allow sufficient time for their respective depository agents to in turn register their interest with the Company.

Submission of Questions in advance of the AGM

7. Members and proxy(ies) may submit substantial and relevant textual questions related to the resolutions to be tabled for approval for the AGM in advance of, or "live" at, the AGM.

How to submit questions in advance of the AGM

8. If a member wishes to submit questions in advance of the AGM related to the resolutions tabled for approval at the AGM, the questions must be submitted no later than **5.00 p.m. on Friday, 14 April 2023** through the following means:
 - (a) by email to agm@penguin.com.sg;
 - (b) by post to the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., 1 Harbourfront Avenue, #14-07 Keppel Bay Tower, Singapore 098632;
 - (c) via the pre-registration website at <https://conveneagm.com/sg/penguin2023>.

and provide the following details for verification purposes:

- (a) your full name;
- (b) NRIC/passport/company registration no.;
- (c) contact number;
- (d) email; and
- (e) the manner in which you hold shares in the Company (e.g. via CDP, CPF or SRS).

Any question submitted without the identification details will not be addressed.

How to submit questions "live" at the AGM

9. If a member wishes to submit questions "live" at the AGM, such questions must be submitted in the following manner:
 - (a) Members or where applicable, their appointed proxy(ies) and CPF or SRS Investors who have pre-registered and are verified to attend the AGM can ask questions relating to the ordinary resolutions tabled for approval at the AGM "live" at the AGM, by typing in and submitting their questions through the "live" ask-a-question function via the audio-visual webcast platform during the AGM within a certain prescribed time limit.
 - (b) Members who wish to appoint a proxy(ies) (other than the Chairman of the AGM) to ask questions "live" at the AGM on their behalf must, in addition to completing and submitting an instrument appointing a proxy(ies), ensure that their proxy(ies) pre-register separately via the registration link before the Pre-registration Deadline, upon verification of the Proxy Form(s).
 - (c) Members (including CPF and SRS Investors) or, where applicable, their appointed proxy(ies) must access the AGM proceedings via the live audio-visual webcast in order to ask questions "live" at the AGM, and will not be able to do so via the live audio-only stream of the AGM proceedings.



- (d) During the AGM itself, the Company will address as many substantial and relevant questions (which are related to the resolutions to be tabled for approval at the AGM) which have not already been addressed prior to the AGM, as well as those received “live” at the AGM itself, as reasonably practicable. Where there are substantially similar questions, the Company will consolidate such questions; consequently, not all questions may be individually addressed.

Publication of Responses

10. The Company will publish the responses to the substantial and relevant questions on the Company’s website, at <http://www.penguin.com.sg/about-us/investor-relations/> and SGX website at <https://www.sgx.com/securities/company-announcements>.
11. If there are any relevant and subsequent questions received **after 14 April 2023**, the Company will address them during the AGM. For questions which are addressed during the AGM, the responses to such questions will be included in the minutes of AGM which will be published on the SGX website and the Company’s website within one (1) month after the date of AGM.

Pre-register to vote live at the AGM

12. A member (whether individual or corporate) who pre-register to observe and/or listen to the live audio-visual webcast or live audio-only stream of the AGM proceedings and wish to vote on the resolutions to be tabled at the AGM may:
- (a) (where such Members are individuals) vote live at the AGM by casting their votes for each resolution through real time remote electronic voting, or (where such Members are individuals or corporate) appoint a proxy(ies) (other than the Chairman of the Meeting*) to vote live at the AGM via real time remote electronic voting on their behalf by completing and submitting Proxy Forms appointing a proxy(ies); or
- (b) (where such Members are individuals or corporate) appoint the Chairman of the Meeting as their proxy to vote on their behalf at the AGM, in accordance with the instructions set out in the relevant Proxy Forms.
- * For the avoidance of doubt, CPF and SRS investors will not be able to appoint third-party proxy (i.e. person other than the Chairman of the Meeting) to vote live at the AGM on their behalf.
13. Where a member (whether individual or corporate) appoints the Chairman of the Meeting as his/her/its proxy, he/she/it must give specific instructions as to voting, or abstentions from voting, in respect of a resolution in the proxy form, failing which the appointment of the Chairman of the Meeting as proxy for that resolution will be treated as invalid.
14. Members including CPF/SRS Investors who wish to vote live at the AGM must first pre-register themselves at the pre-registration website at <https://conveneagm.com/sg/penguin2023>. Members who wish to appoint a proxy(ies) (other than the Chairman of the Meeting) to vote live at the AGM on their behalf must, in addition to completing and submitting an instrument appointing a proxy(ies), pre-register their appointed proxy(ies) at the pre-registration website at <https://conveneagm.com/sg/penguin2023>.
15. Members including CPF/SRS Investors or, where applicable, their appointed proxy(ies) must access the AGM proceedings via the live audio-visual webcast in order to vote live at the AGM, and will not be able to do so via the audio-only stream of the AGM proceedings.
16. Members who hold Shares through relevant intermediaries (other than CPF/SRS Investors) who wish to vote should approach his/her relevant intermediary as soon as possible on the voting instructions.

Submission of Proxy(ies) Forms

17. The instrument appointing the proxy(ies) must be submitted to the Company in the following manner:
- (a) if submitted by post, be lodged at the office of the Company’s Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., 1 Harbourfront Avenue, #14-07 Keppel Bay Tower, Singapore 098632; or
- (b) if submitted electronically, be submitted via email to the Company at agm@penguin.com.sg.
- in either case, by **10.30 a.m. on Monday, 24 April 2023**, being at least 72 hours before the time appointed for the AGM.
18. Members are strongly encouraged to submit completed proxy forms electronically via email.
19. CPF/SRS investors who hold the Company’s shares:
- (i) may vote live at the AGM via electronic means if they are appointed as proxies by their respective CPF Agent Banks/ SRS Operators, and should contact their respective CPF Agent Banks/SRS Operators if they have any queries regarding their appointment as proxies; or
- (ii) may appoint the Chairman of the AGM as proxy to vote on their behalf at the AGM, in which case they should approach their CPF Agent Banks/SRS Operators to submit their votes by **5 p.m. on 17 April 2023**.

Personal Data Privacy

By submitting an instrument appointing the Chairman of the Meeting to vote at the AGM and / or any adjournment thereof, a member of the Company 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, administration and analysis by the Company (or its agents or service providers) of the appointment of the Chairman of the Meeting as proxy for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, take-over rules, regulations and / or guidelines.



ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Mr **Jeffrey Hing Yih Peir**, Mr **Leow Ban Tat** and Mr **Winston Kwek Choon Lin** are the Directors seeking re-election, pursuant to Regulation 92 of the Company's Constitution, at the annual general meeting of the Company on 27 April 2023 ("AGM") (collectively, the "Retiring Directors" and each a "Retiring Director").

Pursuant to Rule 720(6) of the Listing Manual of the SGX-ST, the information relating to the Retiring Directors as set out in Appendix 7.4.1 to the Listing Manual of the SGX-ST for Mr **Jeffrey Hing Yih Peir**, Mr **Leow Ban Tat** and Mr **Winston Kwek Choon Lin** is set out below:

| Name of Director | Jeffrey Hing Yih Peir | Leow Ban Tat | Winston Kwek Choon Lin |
|---|---|---|--|
| Date of appointment | 2 February 2009 | 28 April 2015 | 29 April 2021 |
| Date of last re-appointment (if applicable) | 29 May 2020 | 29 May 2020 | N.A. |
| Age | 67 years old | 65 years old | 58 years old |
| Country of principal residence | Singapore | Singapore | Singapore |
| The Board's comments on this re-appointment (including rationale, selection criteria, board diversity considerations and the search and nomination process) | <p>The Board has considered, among others, the recommendation of the Nominating Committee ("NC") and has reviewed and considered the performance, contributions, qualifications, expertise, work experience and suitability of Mr Jeffrey Hing Yih Peir for re-election as the Executive Chairman of the Company.</p> <p>The Board has accepted the NC's recommendation and concluded that Mr Hing possesses the experience, expertise, knowledge and skills to contribute towards the core competencies of the Board. His leadership will continue to enhance Board deliberations and set the direction for the Group. With his in-depth knowledge of the Group's operations, Mr Hing is in a good position to oversee the management of the Group's operations in Singapore and overseas.</p> | <p>The Board has considered, among others, the recommendation of the NC and has reviewed and considered the performance, contributions, qualifications, expertise, work experience and suitability of Mr Leow Ban Tat for re-election as an Independent Non-Executive Director of the Company.</p> <p>The Board has accepted the NC's recommendation and concluded that Mr Leow possesses the experience, expertise, knowledge and skills to contribute towards the core competencies of the Board. With his valued experience and knowledge in the marine industry, he is in a good position to provide guidance to the Board and management and contribute positively to Board discussions.</p> | <p>The Board has considered, among others, the recommendation of the NC and has reviewed and considered the performance, contributions, qualifications, expertise, work experience and suitability of Mr Winston Kwek Choon Lin for re-election as the Lead Independent Director of the Company.</p> <p>The Board has accepted the NC's recommendation and concluded that Mr Kwek possesses the experience, expertise, knowledge and skills to contribute towards the core competencies of the Board. With his extensive experience and expertise in the marine industry and a wide variety of shipping related work, he is in a good position to provide guidance to the Board and management and contribute positively to Board discussions.</p> |

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION (CONT'D)

| Name of Director | Jeffrey Hing Yih Peir | Leow Ban Tat | Winston Kwek Choon Lin |
|---|--|---|--|
| Whether Board appointment is executive, and if so, the area of responsibility | Executive Chairman - responsible for the development and strategic direction of Penguin, managing the quality, quantity and timeliness of the information flow between Management and the Board, as well as ensuring compliance with Penguin's guidelines on corporate governance. | Independent Non-Executive Director | Independent Non-Executive Director |
| Job Title (e.g. Lead ID, AC Chairman, AC Member) | Executive Chairman and NC Member | NC Chairman and a Member of AC and RC | Lead ID RC Chairman and a Member of AC and NC |
| Academic / professional qualifications | <ul style="list-style-type: none"> Chartered Institute of Management Accountants Graduate | <ul style="list-style-type: none"> Master Degree in Business Administration from Monash University Diploma in Marine Engineering (Merit) from Singapore Polytechnic | <ul style="list-style-type: none"> Bachelor of Laws (Honours), National University of Singapore Advocate & Solicitor, Supreme Court of Singapore Adjunct Associate Professor in the Faculty of Law, National University of Singapore Senior Accredited Specialist (Maritime and Shipping), Singapore Academy of Law Specialist Mediator, Singapore International Mediation Centre Accredited Maritime Arbitrator, Singapore Institute of Arbitrators and Singapore Chamber of Maritime Arbitration Fellow, Singapore Institute of Arbitrators |



ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION (CONT'D)

| Name of Director | Jeffrey Hing Yih Peir | Leow Ban Tat | Winston Kwek Choon Lin |
|--|---|--|--|
| Working experience and occupation(s) during the past 10 years | Trinity Offshore Pte Ltd & Agensea Pte Ltd - Managing Director (June 1991 to present) | AME2 Pte. Ltd. – Managing Director (2013 to present) Aquaculture Centre of Excellence Pte. Ltd. – Founder and CEO (2017 to present) PaxOcean Marine Offshore – Executive Director (2012 to 2013) | Rajah & Tann Singapore LLP (2002 to present) |
| Shareholding interest in the listed issuer and its subsidiaries | Deemed interest: 176,240,539 shares | Nil | Nil |
| Any relationship (including immediate family relationships) with any existing director/existing executive officer of the Company or any of its principal subsidiaries and/or substantial shareholder | No | No | No |
| Conflict of interest (including any competing business) | No | No | No |
| Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the Company | Yes | Yes | Yes |
| Other Principal Commitments including Directorships: Past 5 years: | OEL (Holdings) Limited Yahweh China Pte Ltd Blessed Grace Social Services Ltd | IE Solutions Pte. Ltd Offshore Dynamics Solutions Pte Ltd | Nil |

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION (CONT'D)

| Name of Director | Jeffrey Hing Yih Peir | Leow Ban Tat | Winston Kwek Choon Lin |
|---|--|--|--|
| Present: | <ol style="list-style-type: none"> Penguin International Limited – Executive Chairman Trinity Offshore Pte Ltd – Director Agensea Pte Ltd – Director Infinity Oil Ltd – Director Trinity Group Private Limited – Director Singapore Christian Foundation Ltd – Director PT Trinity Offshore Indonesia – Director Team Engineering and Marine Pte. Ltd. – Director PT Trinity Offshore Services – Director Asia Pacific Mission Ltd – Director Marine Designs (2002) Pte Ltd – Director Marco Polo Marine Ltd – Non-Executive Director Emet Grace Ltd. – Director Watchman's Home Community Services Ltd – Treasurer Bluefield Renewable Energy Pte Ltd - Director | <ol style="list-style-type: none"> Penguin International Limited – Director AME2 Pte. Ltd. – Managing Director Lift – Dock Pte. Ltd. – Managing Director NVS (Singapore) Pte. Ltd. – Director Humanitarian Trade and Development Pte. Ltd. – Director Nature Resources Aquaculture Pte Ltd – Director Aquaculture Centre of Excellence Pte Ltd - Director | <ol style="list-style-type: none"> Penguin International Limited – Director BH Global Corporation Limited – Director Rajah & Tann LLP - Partner |
| <p>Disclose the following matters concerning appointment/re-appointment of director, chief executive officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is “yes”, full details must be given</p> | | | |
| (a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against me or against a partnership of which I was a partner at the time when I was a partner or at any time within 2 years from the date I ceased to be a partner? | No | No | No |



ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION (CONT'D)

| Name of Director | Jeffrey Hing Yih Peir | Leow Ban Tat | Winston Kwek Choon Lin |
|--|-----------------------|--------------|------------------------|
| (b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which I was a director or an equivalent person or a key executive, at the time when I was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date I ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency? | No | No | No |
| (c) Whether there is any unsatisfied judgment against me? | No | No | No |
| (d) Whether I have ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or have been the subject of any criminal proceedings (including any pending criminal proceedings of which I am aware) for such purpose? | No | No | No |

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION (CONT'D)

| Name of Director | Jeffrey Hing Yih Peir | Leow Ban Tat | Winston Kwek Choon Lin |
|--|-----------------------|--------------|------------------------|
| (e) Whether I have ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which I am aware) for such breach? | No | No | No |
| (f) Whether at any time during the last 10 years, judgment has been entered against me in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on my part, or I have been the subject of any civil proceedings (including any pending civil proceedings of which I am aware) involving an allegation of fraud, misrepresentation or dishonesty on my part? | No | No | No |
| (g) Whether I have ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust? | No | No | No |



ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION (CONT'D)

| Name of Director | Jeffrey Hing Yih Peir | Leow Ban Tat | Winston Kwek Choon Lin |
|--|-----------------------|--------------|------------------------|
| (h) Whether I have ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust? | No | No | No |
| (i) Whether I have ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining me from engaging in any type of business practice or activity? | No | No | No |
| (j) Whether I have ever, to my knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:- (i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or (ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or | No | No | No |

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION (CONT'D)

| Name of Director | Jeffrey Hing Yih Peir | Leow Ban Tat | Winston Kwek Choon Lin |
|--|-----------------------|--------------|------------------------|
| (iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or (iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when I was so concerned with the entity or business trust? | | | |
| (k) Whether I have been the subject of any current or past investigation or disciplinary proceedings, or have been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere? | No | No | No |
| Disclosure applicable to the appointment of Director only | | | |
| Any prior experience as a director of an issuer listed on the Exchange? (Yes/No) If yes, please provide details of prior experience. | N.A. | N.A. | N.A. |



ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION (CONT'D)

| Name of Director | Jeffrey Hing Yih Peir | Leow Ban Tat | Winston Kwek Choon Lin |
|--|-----------------------|--------------|------------------------|
| If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange. | N.A. | N.A. | N.A. |
| Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable). | N.A. | N.A. | N.A. |



PENGUIN INTERNATIONAL LIMITED
(Incorporated in the Republic of Singapore)
(Company Registration Number: 197600165Z)

PROXY FORM

Please read notes overleaf before completing this Form

Important

- The annual general meeting ("AGM") will be held by electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020 (the "Order").
- Pursuant to the Order, the Company will implement alternative arrangements relating to attendance at the AGM by electronic means (including arrangements by which the meeting can be electronically accessed via live audio-visual webcast or live audio-only stream), submission of questions in advance of the AGM, addressing of substantial and relevant questions prior to, or "live" at, the AGM, submission of text-based questions during the AGM and voting live at the AGM by members or his/her/its duly appointed proxy(ies) (other than the Chairman of the Meeting) by real-time remote electronic voting or voting by appointing the Chairman of the Meeting as proxy at the AGM, are set out in the Notice of AGM dated 6 April 2023 which can be accessed via the Company's website at <http://www.penguin.com.sg/about-us/investor-relations> and the SGX website at <https://www.sgx.com/securities/company-announcements>.
- For investors who have used their Central Provident Fund or Supplementary Retirement Scheme monies to buy Shares in the Company (the "CPF Investors" or "SRS Investors"), this Proxy Form is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by them.
- CPF or SRS investors who wish to appoint proxy or proxies should approach their respective CPF Agent Banks or SRS Operators and submit their votes by **5 p.m. on 17 April 2023**.
- By submitting an instrument appointing proxy(ies), the member accepts and agrees to the personal data privacy terms set out in the Notice of AGM dated 6 April 2023.

I/We _____ (Name)

_____ (NRIC No./Passport No./Company Registration No.)

of _____ (Address)

being a *member/members of **PENGUIN INTERNATIONAL LIMITED** (the "Company"), hereby appoint:

| Name | Address | *NRIC/Passport No. | Proportion of Shareholdings (%) |
|------|---------|--------------------|---------------------------------|
| | | | |

*and/or

| Name | Address | *NRIC/Passport No. | Proportion of Shareholdings (%) |
|------|---------|--------------------|---------------------------------|
| | | | |

or failing the person, or either or both the persons, referred to the above, the Chairman of the Meeting as *my/our proxy to attend and vote for *me/us on *my/our behalf at the Annual General Meeting of the Company to be held by way of electronic means on Thursday, 27 April 2023 at 10.30 a.m. and at any adjournment thereof in the following manner:

| NO. | ORDINARY RESOLUTIONS | For* | Against* | Abstain* |
|-----|---|------|----------|----------|
| | ORDINARY BUSINESS | | | |
| 1. | Adoption of Directors' Statement and Audited Financial Statements | | | |
| 2. | Declaration and Approval of First and Final Dividend | | | |
| 3. | Approval of Directors' Fees | | | |
| 4. | Re-election of Mr. Jeffrey Hing Yih Peir as Director | | | |
| 5. | Re-election of Mr. Leow Ban Tat as Director | | | |
| 6. | Re-election of Mr. Winston Kwek Choon Lin as Director | | | |
| 7. | Re-appointment of PKF-CAP LLP as Auditor | | | |
| | SPECIAL BUSINESS | | | |
| 8. | Authority to issue shares pursuant to Share Issue Mandate | | | |
| 9. | Renewal of Share Buy-back Mandate | | | |

*Voting will be conducted by poll. Please indicate your vote "For", "Against" or "Abstain" with an "✓" within the box provided. Alternatively, please indicate the number of votes "For" or "Against" within the box provided. If no specific direction as to voting is given, the proxy(ies) will vote or abstain from voting at his/her/ their discretion.

Dated this _____ day of _____ 2023.

Total No. of Shares Held _____

Signature(s) of Member(s)/Common Seal

* Please delete accordingly

IMPORTANT: PLEASE READ NOTES OVERLEAF



NOTES

IMPORTANT: PLEASE READ NOTES BEFORE COMPLETING THIS PROXY FORM

1. A member should insert the total number of shares held. If the member has shares entered against his name in the Depository Register (maintained by The Central Depository (Pte) Limited), he should insert that number of shares. If the member has shares registered in his name in the Register of Members (maintained by or on behalf of the Company), he should insert that number of shares. If the member has shares entered against his name in the Depository Register and shares registered in his name in the Register of Members, he should insert the aggregate number of shares. If no number is inserted, this proxy form will be deemed to relate to all the shares held by the member.
2. Members (whether individual or corporate) who pre-register to observe and/or listen to the live audio-visual webcast or live audio-only stream of the AGM proceedings and wish to vote on the resolutions to be tabled for at the AGM may:
 - a. (where such Members are individuals) vote live at the AGM by casting their votes for each resolution through real-time remote electronic voting, or (where such Members are individuals or corporate) appoint a proxy(ies) (other than the Chairman of the Meeting*) to vote live at the AGM via real-time remote electronic voting on their behalf; or
 - b. (where such Members are individuals or corporate) appoint the Chairman of the Meeting as their proxy to vote on their behalf at the AGM, in accordance with the instructions set out in the relevant Proxy Forms.

* *For the avoidance of doubt, CPF and SRS investors will not be able to appoint third-party proxy (i.e. person other than the Chairman of the Meeting) to vote live at the AGM on their behalf.*

3. CPF/SRS Investors may:
 - a. vote live at the AGM via electronic means if they are appointed as proxies by their respective CPF Agent Banks or SRS Operators, and should approach their respective CPF Agent Banks or SRS Operators if they have any queries regarding their appointment as proxies; or
 - b. appoint the Chairman of the Meeting as proxy to vote on their behalf at the AGM, in which case, they should approach their respective CPF Agent Banks or SRS Operators at least seven (7) working days before the AGM to submit their votes which is by **5 p.m. on 17 April 2023**.
4. Investors who hold shares in the Company through relevant intermediaries (other than CPF/SRS Investors) may:
 - a. vote live at the AGM via electronic means if they are appointed as proxies by their relevant intermediaries, and should approach their relevant intermediaries if they have any queries regarding their appointment as proxies; or
 - b. appoint the Chairman of the Meeting as proxy, in which case they should approach their relevant intermediaries.

"Relevant intermediary" has the meaning ascribed to it in Section 181(6) of the Companies Act 1967.

5. The proxy need not be a member of the Company.
6. The instrument appointing the proxy(ies) must be submitted to the Company in the following manner:
 - a. if submitted by post, be lodged at the office of the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., 1 Harbourfront Avenue, #14-07 Keppel Bay Tower, Singapore 098632; or
 - b. if submitted electronically, be submitted via email to the Company at **agm@penguin.com.sg**

in either case, by **10.30 a.m. on Monday, 24 April 2023**, being at least 72 hours before the time appointed for the AGM.

A member who wishes to submit an instrument of proxy must first download, complete and sign the proxy form, before submitting it by post to the address provided, or before scanning and sending it by email to the email address provided.

Members are strongly encouraged to submit completed proxy forms electronically via email.

7. The instrument appointing the proxy(ies) must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing the proxy(ies) is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised.
8. Where an instrument appointing the proxy(ies) 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), if the instrument appointing the proxy(ies) is submitted by post, be lodged with the instrument of proxy or, if the instrument appointing the proxy(ies) is submitted electronically via email, be emailed with the instrument of proxy, failing which the instrument may be treated as invalid.
9. The Company shall be entitled to reject the instrument appointing the proxy(ies) if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing the proxy(ies) (including any related attachment). In addition, in the case of members whose shares are entered against their names in the Depository Register, the Company may reject any instrument appointing the proxy(ies) lodged or submitted if such members are not shown to have shares entered against their names in the Depository Register 72 hours before the time appointed for holding the AGM as certified by The Central Depository (Pte) Limited to the Company.
10. Members should take note that once this proxy form is lodged with the Company's Share Registrar or submitted electronically via email to the Company at **agm@penguin.com.sg**, they cannot change their vote as indicated in the box provided above.

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