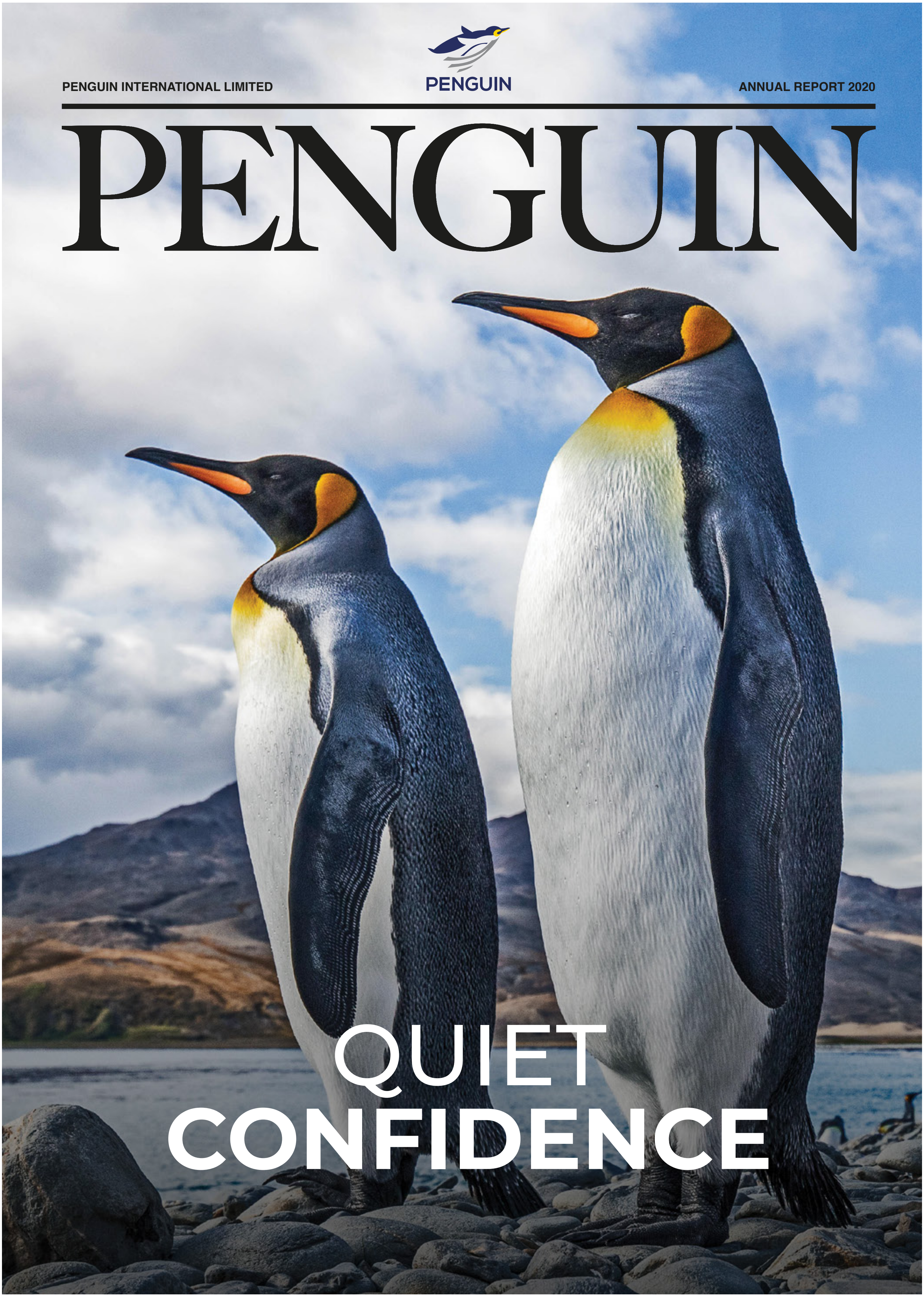
PENGUIN INTERNATIONAL LIMITED

PENGUIN

ANNUAL REPORT 2020

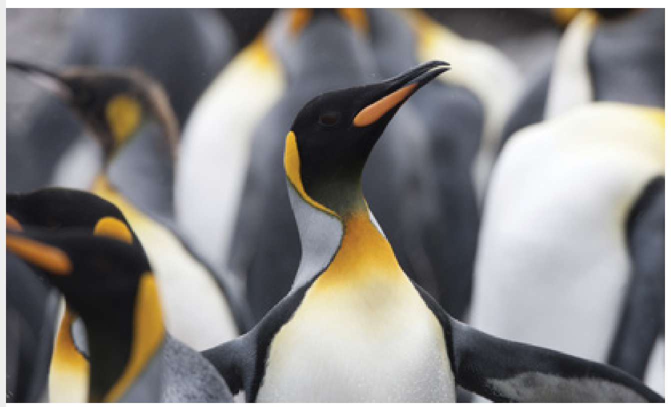
PENGUIN



QUIET CONFIDENCE

CONTENT

FEATURES



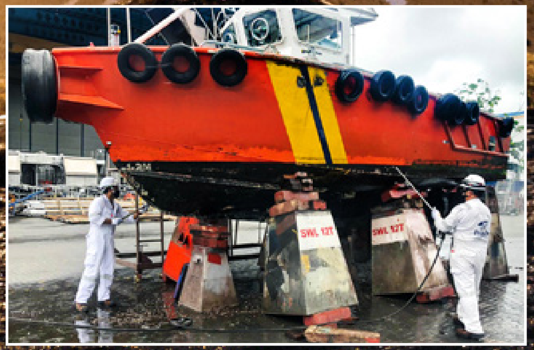
EDITORIALS

FINANCIALS

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. In recent years, the management and staff 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.



Strength in Adversity

Our shipyard leadership leading by example.

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, backed by our strong balance sheet, our Flex brand, our global network and our pricing power as one of the world's most cost-effective crewboat builders and operators of high speed vessels.

Future-proofing

We stay ahead by constantly innovating.

PURSUING **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 and staff of Penguin International Limited are committed to developing new high-speed craft designs and applications. We avoid getting "lost" by staying true to our core values and capabilities.

Against the Odds

We leverage on our collective experience to anticipate threats and opportunities.

WELCOME

Home of the Flex PT. Kim Seah Shipyard Indonesia in Batam.

WELCOME TO THE HOME OF THE FLEX

Penguin is a Singaporean homegrown, publicly listed Designer, Builder, Owner and Operator of Aluminium High-speed Craft.

As designers and builders, we have since 1995 delivered more than 200 aluminium vessels to ship owners around the world, including over 160 of our proprietary-designed Flex crewboats and Flex Fighter security boats.

Our marine travel lift in Singapore

As owners and operators, we manage a 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.

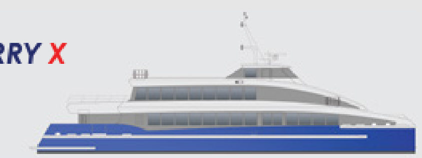
Whether you are a ship owner or a charterer, you will enjoy peace of mind with the Penguin brand, which stands for integrity, professionalism and mutual respect.

GO AHEAD. **FLEX YOUR FLEET!**

Sales and Charters 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	80*	110	80
FLEX-40SC MAX 	4350	70#	93	82
SECURITY BOATS				
FLEX FIGHTER MAX 	4350	54#	93	82
PASSENGER FERRIES				
FLEX FERRY X 	2900	285	-	7
WINDFARM CREW TRANSFER VESSELS				
WINDFLEX-27 	3550	24*	120	35
PILOT BOATS				
HFLEX-15 	960	12	12	2

* Full business class seating arrangement
\# With passenger lounge (new in 2021)

CORPORATE PROFILE

PENGUIN

Penguin International Limited is a Singaporean homegrown, publicly listed designer, builder, owner and operator of aluminium high-speed craft.

Through a group of wholly owned, integrated subsidiaries, we own and operate a fleet of crewboats and passenger ferries, and we design and build a variety of high-speed craft at our shipyards in Singapore and Batam, Indonesia. These include patrol boats, fire fighting search-and-rescue vessels, windfarm support vessels and security vessels.

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.

Built to Order

10 new ferries built by Penguin for the Australian state of New South Wales.

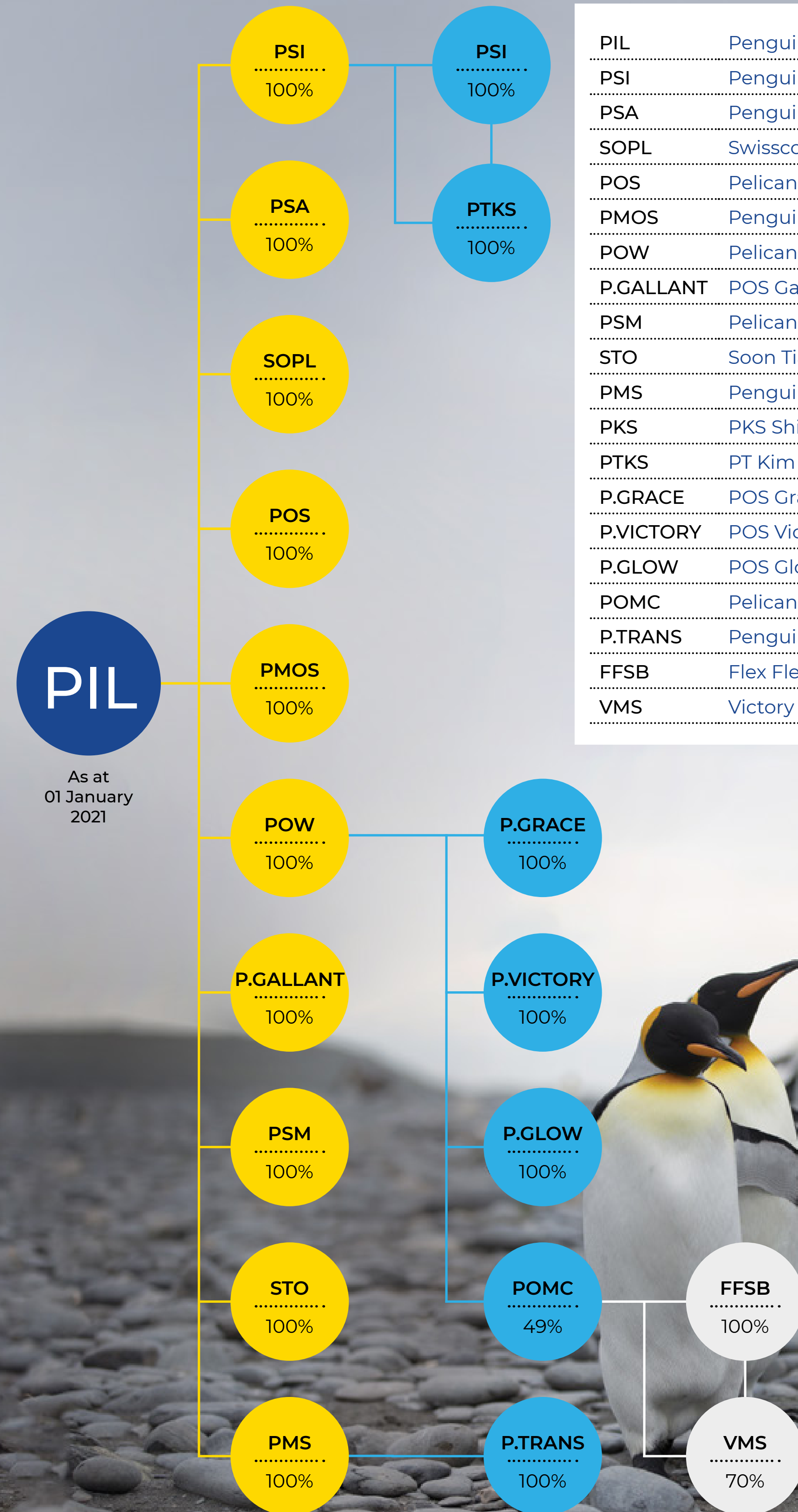
Built for Charters

Flex-42X Executive Fast Crew Boat

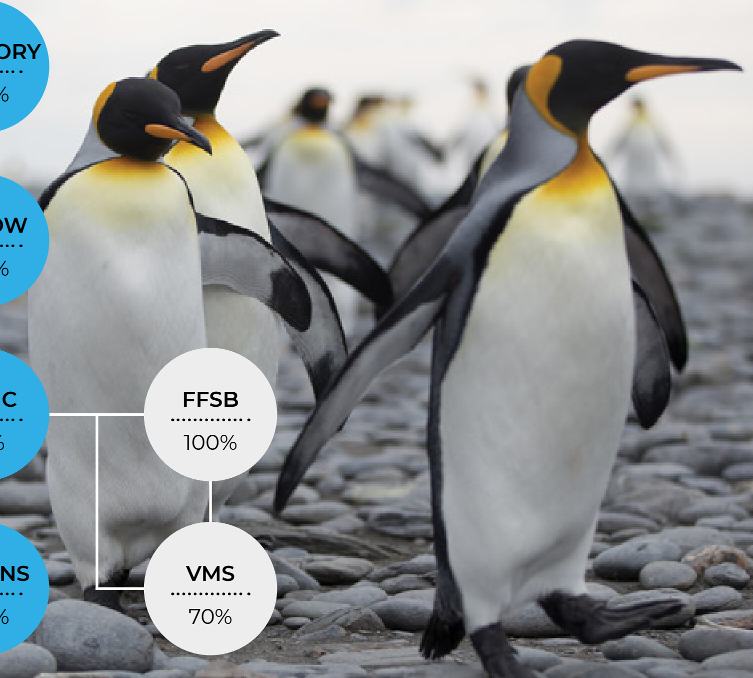
Built for Stock

Flex Fighter

CORPORATE STRUCTURE



PIL	Penguin International Limited
PSI	Penguin Shipyard International Pte Ltd
PSA	Penguin Shipyard Asia Pte Ltd
SOPL	Swissco Offshore (Pte.) Ltd
POS	Pelican Offshore Services Pte Ltd
PMOS	Penguin Marine Offshore Services Pte Ltd
POW	Pelican Offshore Worldwide Pte Ltd
P.GALLANT	POS Gallant Pte Ltd
PSM	Pelican Ship Management Services Pte Ltd
STO	Soon Tian Oon Pte Ltd
PMS	Penguin Marine Services Pte Ltd
PKS	PKS Shipyard Pte Ltd
PTKS	PT Kim Seah Shipyard Indonesia
P.GRACE	POS Grace Pte Ltd
P.VICTORY	POS Victory Pte Ltd
P.GLOW	POS Glow Pte Ltd
POMC	Pelican Offshore Malaysia Corp
P.TRANS	Penguin Transporter Pte Ltd
FFSB	Flex Fleet Sdn Bhd
VMS	Victory Marine Services Sdn Bhd



A JOINT LETTER FROM OUR CHAIRMAN AND OUR MANAGING DIRECTOR

MR. JEFFREY HING
Executive Chairman

MR. JAMES THAM
Managing Director

"It's ironic, how we often forget the things worth remembering, but remember the things worth forgetting."

– Anonymous

Dear Fellow Shareholders,

A RUDE AWAKENING

The Covid-19 pandemic was the mother of rude awakenings in modern times. And like all rude awakenings, we were thrown out of our comfort zones. Among us, the fortunate ones were only inconvenienced while many suffered, some terribly. Things we took for granted – like family, fresh air, our way of life – were no longer a given.

All of us in Penguin are thankful for what we can still hang on to.

Certainly, Penguin was not spared the pains inflicted by this pandemic. In FY2020, our group revenue fell 12.4% year-on-year to $119.4 million, while gross profit and net profit after tax dropped 17.4% and 32.0% to $33.5 million and $13.2 million respectively. Over the same period, our cash and short-term deposits fell 33.3% to $40 million, while total borrowings rose to $4.5 million and our cash ratio dropped from 1.03 to 0.84.

It is worth highlighting that our $13.2 million profit was bolstered by several "other operating income" transactions, among which include $5.3 million from fleet vessel sales and $3.6 million from government support programmes such as the Jobs Support Scheme, foreign worker levy rebates and waivers, rental waivers and property tax rebates. In the absence of these items, our net profit before tax would have plunged 59.5% year-on-year to only $6.5 million.

At the onset of Covid-19, we were still hopeful of overcoming the odds, as our prospects looked promising at the start of the year. However, our ebullience quickly petered out towards the end of the first quarter, when the pandemic took hold and countries around the world began to lock themselves in. The ensuing rout in oil, tourism and general business activities dealt a blow to our shipbuilding and crewboat chartering businesses.

In response to the growing crisis, we cut our margins to move our stock vessels and keep our crewboats on charter; we froze discretionary spending; we stayed close to our clients and project partners. We hunkered down and prepared for the worst.

Against the odds, we sold nine out of 12 security boats (Flex Fighters) built last year and kept most of our crewboats on charter, even though our average annual utilisation rate fell from 80.7% (with 16 crewboats) in FY2019 to 69.7% (with 12 crewboats) in FY2020.

Overall, our FY2020 revenue from shipbuilding – comprising build-for-stock and build-to-order sales -and crewboat charters fell 10.9% and 23.6% year-on-year respectively to $94.8 million and $18.0 million.

Over in Singapore, we commenced a long-term charter of workboats to Shell Eastern Petroleum under a 15-year build-own-operate contract. The marine spread comprised landing craft, mooring tugs, pilot boats and line boats, all of which were specially designed and built to operate between Pasir Panjang and Pulau Bukom.

It was inconceivable when we entered into the contract in FY2019 that this 15-year charter would be in jeopardy a year later when, under pressure from the oil rout and a growing green movement, Shell announced that it would sell or shut down most of its refineries around the world. Bukom - despite being Shell's largest refinery in the world - was under consideration too.

Imagine our relief late last year when Shell announced that Bukom would be one of six oil refining and petrochemical sites that it would retain, down from 14.

Apart from Shell Eastern Petroleum, we also expanded our scope of works with the Singapore Civil Defence Force when we won a tender to provide corrective maintenance services for their two older fireboats, Fire Fighter 1 and Fire Fighter 2. This was on top of a 10-year maintenance contract that we already have with SCDF for their "Red Dolphin" Marine Rescue Vessel and "Red Manta" Heavy Rescue Vessel (both built by Penguin in FY2019).

The Shell Eastern Petroleum and SCDF contracts jointly account for 4.6% of our group revenue.

TAKING NOTHING FOR GRANTED

As FY2020 wore on, our cash flow came under pressure (and remains under pressure today). Even with signed sale and purchase agreements and deposits on hand for our stock vessels, we could not breathe easy until the vessels were handed over and balance payments collected.

In our darkest hour, some clients who had placed deposits for stock vessels asked for postponement of deliveries and/or further discounts, but no one asked to cancel. In the end, we were able to accommodate all requests without jeopardising any contracts or incurring any losses. More importantly, we did not lose a single client. For that, we are extremely thankful.

Throughout the ordeal, our balance sheet was repeatedly stress-tested. To conserve cash, we reined in our own fleet expansion programme and deferred capital expenditure as much as we could. However, we still had to press on with the commitments that we made for the development of our new shipyard at 21 Tuas Road and the upgrade of our facilities at our Batam shipyard. These are long-term investments that will put us in better stead once the pandemic is over.

At this juncture, it is worth quoting our shareholders' letter from FY2019, which was written at around March 2020: "Given that a significant portion of our revenue and profit comes from the sale of stock vessels, we need to conserve an appropriate level of cash to fund our stock programme, which entails research and development, design and engineering, procurement and construction and – when the market moves against us – *holding power*."

At that time, even though we were preparing for the worst, we had no idea how badly things would turn out later that year.

COUNTING OUR BLESSINGS

While our stock vessel programme was under pressure for most of last year, sentiments surrounding our build-to-order projects were slightly more upbeat.

In FY2020, we delivered 10 bespoke passenger ferries that were specially ordered by an Australian client to replace a fleet of old ferries in the Australian state of New South Wales.

Operating against the backdrop of the Sydney Opera House, the Sydney Harbour Bridge and Darling Harbour, these Penguin-built ferries form part of the iconic landscape of Sydney and its surrounding suburbs. As this contract was backed by the New South Wales government, there was never a question of delay or cancellation.

More significantly, this ferry contract is the second build-to-order project that we have completed for New South Wales, the first being seven police boats

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

that we delivered in FY2019.

Another build-to-order project worth highlighting is the world's first live-aboard Service Accommodation and Transfer Vessel that we delivered to a Taiwanese client to support the country's nascent offshore wind industry. Unlike traditional crew transfer vessels – which we have also delivered to the same client – the SATV is designed to allow windfarm technicians to live comfortably aboard while shuttling daily to the wind turbines.

The above build-to-order projects have affirmed our strategy of venturing beyond our stock vessel programme to tap new markets with new products, while working with world-class clients that demand world-class standards.

For sure, Penguin today is no longer regarded as just a crewboat builder. That said, our optimism for the near future is reined in by the pandemic, which created unprecedented challenges with travel bans, movement controls and supply chain disruptions.

While our shipyards in Tuas and Batam have remained open and operational as designated essential service providers, our workforce in Tuas was severely curtailed during the Circuit Breaker period and our Batam yard has had to operate more independently than before due to the travel bans.

Fortunately, all our build-to-order projects were in Batam, where our workforce remained intact, while discretionary projects, such as our own newbuild programme, were in Tuas. We are especially thankful that our team of trusted and experienced managers in Batam were able to see through all their own projects, including the New South Wales ferries.

As for supply chain disruptions, we were able to mitigate their impact by always placing our orders early, keeping a ready stock of main equipment and materials on hand, and standardising across different shipbuilding projects. We did not have to invoke any force majeure clauses or call in any special favours.

A QUIET CONFIDENCE

Is the worst over for Penguin? Are we out of the woods now? We think not. So long as borders remain shut, oil prices remain erratic and business sentiments remain subdued, there is no reason for unchecked optimism.

Instead, we are quietly confident. Out of the three balance stock Flex Fighters from FY2020, we have since sold one, and we are progressing two new build-to-order projects consisting of one large passenger ferry and one patrol boat.

And despite deteriorating sentiments, in FY2020 we still managed to sell off six of our older crewboats (including our last three Flex-36 "Originals") and one ferry from our chartering fleet. As a result, the average age of our 12 crewboats as at 31 December 2020 dropped to 2.3 years, from 3.2 years the previous year.

A GRATEFUL HEART

One good thing that arose from this pandemic is a surge of collective gratitude towards those among us who have sacrificed their own way of life so that we may enjoy ours.

In Penguin, we owe a huge debt of gratitude to our migrant workers and crew, who truly suffered during the Circuit Breaker period and continue to have their freedom and their own way of life curtailed, while the rest of us are only inconvenienced.

Let us spare a thought and a prayer for these unsung heroes.

On the administrative front, two of our independent directors will be retiring from our board this year and will not stand for re-election during our next AGM. They are our Audit Committee Chairman Mr Ong Kian Min and our Remuneration Committee Chairman Mr Paul Tan. We are grateful to Mr Ong and Mr Tan for their wisdom and guidance, through our good times and bad. Thank you!

Special thanks to our board of directors, our shareholders, our employees, our clients and our project partners.

We shall remind ourselves constantly to never take anyone or anything for granted, and to always remember the things worth remembering!

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.

Mr. Hing is a substantial shareholder in Penguin. 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 Ltd 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 25 April 2019. 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 holds a Bachelor of Science Degree in Journalism and a Bachelor of Business Administration Degree.

BOARD OF DIRECTORS (CONT'D)

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 25 April 2019. 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.

MR. ONG KIAN MIN

Lead Independent Director

Mr. Ong was appointed to the Board in September 1997 and last re-elected on 24 April 2018. He is Chairman of the Audit and Risk Committee and a member of the Remuneration and Nominating Committees. He was appointed the Lead Independent Director on 3 May 2013.

Mr. Ong was awarded the President's Scholarship and Police Force Scholarship in 1979. He served as a Member of Parliament of Singapore from January 1997 to April 2011. Mr. Ong holds a Bachelor of Laws (Honours) External Degree from the University of London and a Bachelor of Science (Honours) Degree from the Imperial College of Science and Technology in England. Mr. Ong was called to the Bar of England and Wales in 1988 and to the Singapore Bar the following year, and practised as a consultant with Singapore law firm Drew & Napier LLC from October 2000 until March 2019.

In addition to his legal practice, he is a Director of One Eternity Foundation Company Limited, Senior Advisor of Alpha Advisory Pte Ltd (a financial and corporate advisory firm) and Managing Director of Kanesaka Sushi Private Limited which invests in and operates Japanese fine-dining restaurants. Currently, Mr. Ong serves as Independent Director on the Board of several other Singapore-listed companies, namely Food Empire Holdings Limited and Silverlake Axis Limited, and of OUE Commercial REIT Management Pte. Ltd. (the REIT Manager of OUE Commercial Real Estate Investment Trust which is listed on the SGX-ST).

MR. PAUL TAN POH LEE

Independent Director

Mr. Tan was appointed to the Board on 8 May 2017 and serves as the Chairman of the Remuneration Committee and is a member of the Audit and Risk Committee. He was last re-elected on 24 April 2018.

He was a Consultant at Keppel Offshore & Marine Ltd with effect from 1 January 2020 and retired from the Keppel Group on 31 March 2020. Prior to this appointment, he was the Chief Financial Officer of Keppel Offshore & Marine Ltd from 2017 to 2019 and the Group Controller of Keppel Corporation Limited from 2006 to 2018. Mr. Tan also served as a director on the board of k1 Ventures Limited (in liquidation).

Mr. Tan has more than 40 years' experience in finance and accounting and is a Fellow of the Association of Chartered and Certified Accountants and a Chartered Accountant, Singapore.

MR. LEOW BAN TAT

Independent Director

Mr. Leow was appointed to the Board on 28 April 2015 and last re-elected on 24 April 2018. 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 shipyards 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 recently 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.

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

Deputy General Manager, 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 2021, he was promoted to his current position of Deputy General Manager, 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

Deputy General Manager, Commercial and Operations

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 Deputy General Manager, Commercial and Operations, in January 2021.

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

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 becomes a public company on the Stock Exchange of Singapore. Pelican is set up to own and operate crewboats and Fast Supply Intervention Vessels (FSIV).

Penguin delivers first FSIV to Pelican.

2002

Penguin delivers to Pelican the first 50-metre FSIV – the largest and fastest ever built in Southeast Asia at the time.

2006

Flex-36 Series launched.

2012

Flex-38 Series launched.
First Flex Fighter delivered.

2013

50th Flex crewboat delivered.

2014

Flex-40 Series launched.
First Flex Ferry delivered.

2015

100th Flex crewboat delivered.
First Flex-45 delivered.

2016

Flex-25 CAT and Flex-42X delivered.
SCDF contract awarded for two fire fighting search-and-rescue vessels.

2017

Successful conversion of Flex-25 CAT from 60-pax crewboat to 112-pax ferry to 260-pax ferry.

2018

First of two fire fighting search-and-rescue vessels delivered to SCDF.

Contracts secured for the design and construction of offshore wind-farm vessels and patrol boats.

2019

Seven patrol boats delivered to the Australian state of New South Wales.

First windfarm support vessel delivered to a Taiwanese operator.

First Flex Ferry X delivered to a South African owner.

2020

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

OPERATING AND FINANCIAL REVIEW

HIGHLIGHTS OF FY2020

New South Wales, Australia
Home of Penguin's iconic passenger ferries.

In FY2020, Penguin posted a net profit after tax of $13.2 million, down 32.0% from the previous year. Group revenue fell 12.4% to $119.4 million and gross profit fell 17.4% to $33.5 million.

The $13.2 million in net profit after tax included $5.3 million from fleet vessel sales and $3.6 million from government support programmes such as the Jobs Support Scheme, foreign worker levy rebates and waivers, rental waivers and property tax rebates.

Over the same period, shipbuilding revenue fell 10.9% to $94.8 million as fewer stock vessels were sold in FY2020. Crewboat chartering revenue fell 23.6% to $18.0 million as charter rates and utilisation declined.

In FY2020, our shipyards in Tuas and Batam delivered 27 new vessels (versus 32 in FY2019), of which nine were built for stock, five were built for charters and 13 were built to order.

While our shipyards remained open and operational during the pandemic as designated essential service providers, our workforce in Tuas was severely curtailed during the Circuit Breaker period while our workforce in Batam remained intact.

Miaoli, Taiwan
Home of Penguin's windfarm support vessels.

Fortunately, all our build-to-order projects were in Batam, while discretionary projects, such as our own newbuild programme, were in Tuas.

Singapore
Pulau Bukom and Pulau Brani, home of vessels built by Penguin.

Singapore
SCDF's "Red Manta", built by Penguin, performing medivac operations.

Lagos, Nigeria
Flex Fighters, built by Penguin, help to make Nigeria a safer place.

As at 31 December 2020, we had 12 crewboats in our chartering fleet, down from 16 the previous year. As part of our fleet renewal programme, we sold six crewboats (including our last three Flex-36 "Originals") and one passenger ferry from our fleet. As a result, the average age of our crewboats as at the end of last year dropped to 2.3 years, from 3.2 years the previous year.

Over the same period, our cash and short-term deposits fell 33.3% to $40 million, while total borrowings increased to $4.5 million and cash ratio dropped from 1.03 to 0.84. To conserve cash, we reined in our own fleet expansion programme and deferred capital expenditure as much as we could.

Our build-to-order projects in FY2020 included 10 bespoke passenger ferries that were specially ordered by an Australian client to replace a fleet of old ferries in the Australian state of New South Wales.

Operating against the backdrop of the Sydney Opera House, the Sydney Harbour Bridge and Darling Harbour, these Penguin-built ferries form part of the iconic landscape of Sydney and its surrounding suburbs.

This ferry contract is the second build-to-order project that we have completed for New South Wales, the first being seven police boats that we delivered in FY2019.

OPERATING AND FINANCIAL REVIEW

Penguin Shipyard International at 18 Tuas Basin Link

Another build-to-order project worth highlighting is the world's first live-aboard Service Accommodation and Transfer Vessel that we delivered to a Taiwanese client to support the country's nascent offshore wind industry. Unlike traditional crew transfer vessels – which we have also delivered to the same client – the SATV is designed to allow windfarm technicians to live comfortably aboard while shuttling daily to the wind turbines.

Over in Singapore, we commenced a long-term charter of workboats to Shell Eastern Petroleum under a 15-year build-own-operate contract. The marine spread comprised landing craft, mooring tugs, pilot boats and line boats, all of which were specially designed and built to operate between Pasir Panjang and Pulau Bukom.

We also won a tender with the Singapore Civil Defence Force to provide corrective maintenance services for their two older fireboats, Fire Fighter 1 and Fire Fighter 2. This was on top of a 10-year maintenance contract that we already had with SCDF for their "Red Dolphin" Marine Rescue Vessel and "Red Manta" Heavy Rescue Vessel (both built by Penguin in FY2019).

15m Fast Launch "Penguin Kilat"

22m Mooring Support Boat "Penguin Hormat"

55m Landing Craft "Penguin Resilience"

The Shell Eastern Petroleum and SCDF contracts jointly account for 4.6% of our group revenue.

QUIETLY CONFIDENT

After a tumultuous FY2020, the outlook for Penguin in FY2021 remains challenging, so long as borders remain shut, oil prices remain erratic and business sentiments remain subdued.

As always, we will continue to manage our cash flow and business conservatively as we work to secure new shipbuilding projects and charters going forwards.

Penguin's Board of Directors has recommended no dividend for the latest financial year.

KEY BALANCE SHEET HIGHLIGHTS ($'MILLION)	As at 31 Dec 2020	As at 31 Dec 2019
Total Assets	237.3	230.5
Property, plant and equipment[1]	100.5	82.2
Inventories[2]	57.3	42.0
Cash, bank balances and fixed deposits	40.0	59.9
Total Current Liabilities	47.4	57.9
Total Equity	174.6	167.7

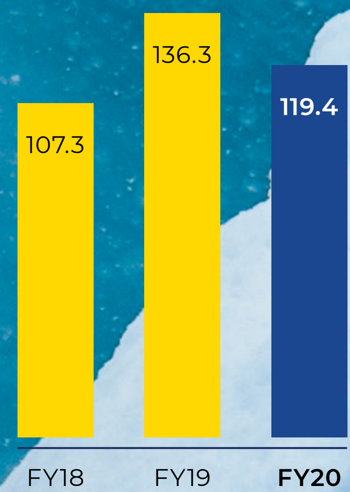
Notes
1 "Property, plant and equipment" mostly comprises vessels in the Group's fleet.
2 "Inventories" mostly comprises stock vessels under construction.

KEY FINANCIAL HIGHLIGHTS

IN FY2020

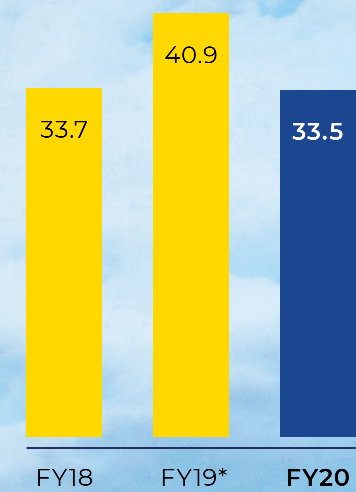
REVENUE

($'m)



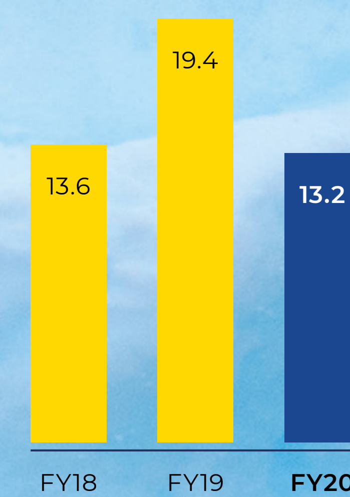
GROSS PROFIT

($'m)



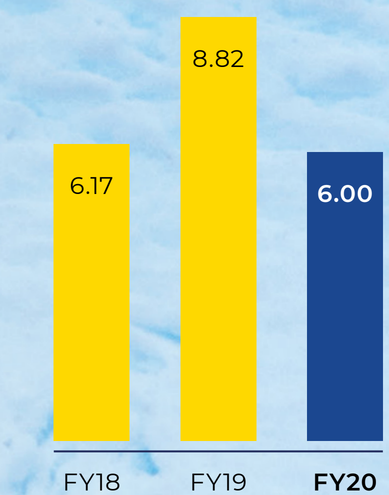
NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS

($'m)



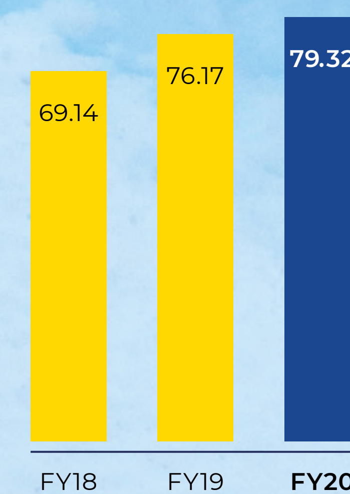
EARNINGS PER SHARE

(SGD cents)

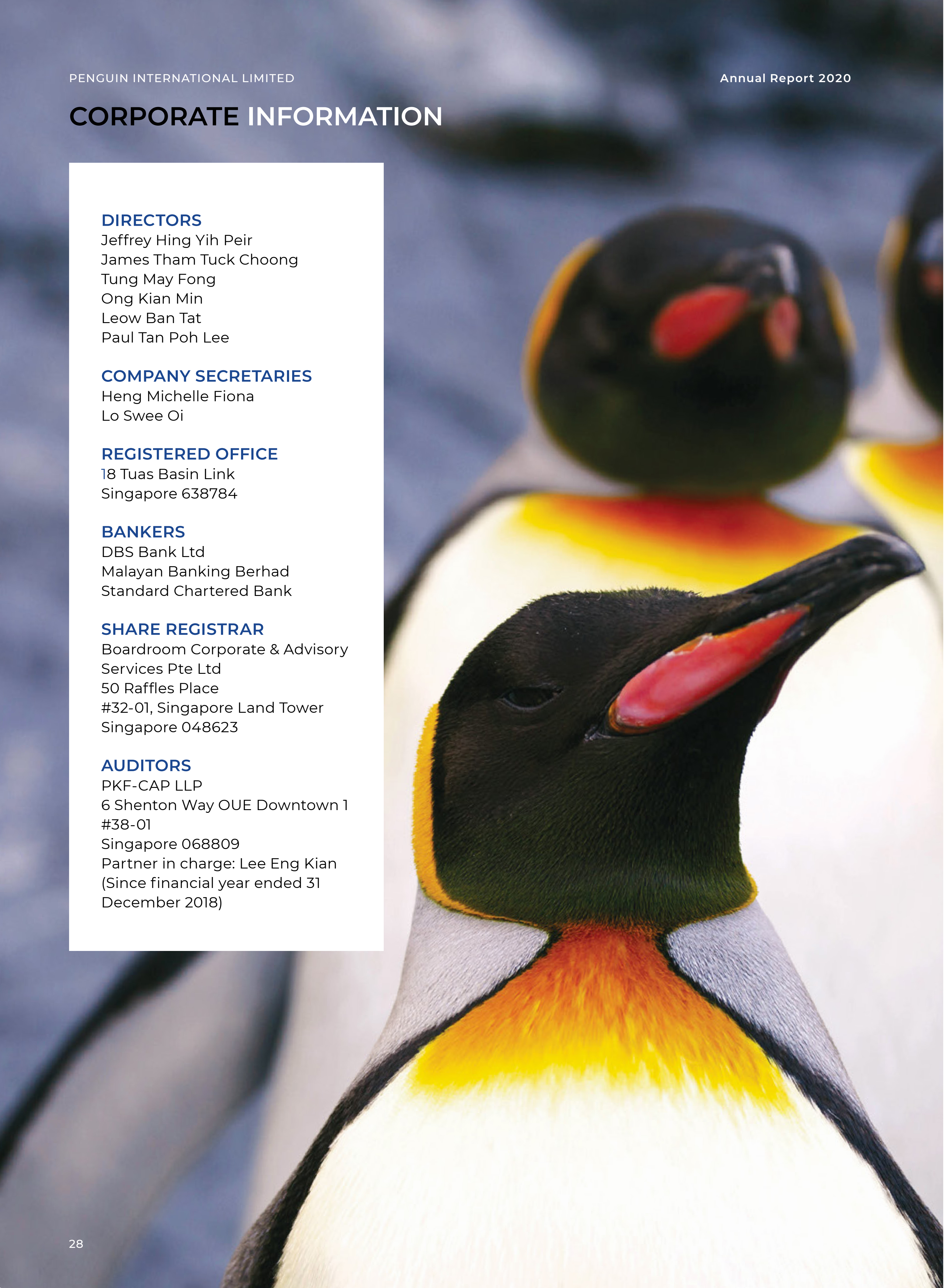


NET ASSET VALUE PER SHARE

(SGD cents)



* The comparative figures for the Group's cost of sales, administrative expenses and finance costs for year ended 31 December 2019 had been reclassified. The depreciation of right-of-use assets of $75,000 and $275,000 and interest expenses on lease liabilities of $13,000 and $16,000 for year ended 31 December 2019 respectively in relation to lease of worker dormitories that were previously classified as administrative expense and finance costs respectively had been reclassified to cost of sales to provide a more meaningful comparison of costs.



CORPORATE INFORMATION

DIRECTORS
Jeffrey Hing Yih Peir
James Tham Tuck Choong
Tung May Fong
Ong Kian Min
Leow Ban Tat
Paul Tan Poh Lee

COMPANY SECRETARIES
Heng Michelle Fiona
Lo Swee Oi

REGISTERED OFFICE
18 Tuas Basin Link
Singapore 638784

BANKERS
DBS Bank Ltd
Malayan Banking Berhad
Standard Chartered Bank

SHARE REGISTRAR
Boardroom Corporate & Advisory Services Pte Ltd
50 Raffles Place
#32-01, Singapore Land Tower
Singapore 048623

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 2020, 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.

Provision 1.1

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.

Provision 1.1

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

Provision 1.2
Provision 4.4

The Board ensures 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, the Accounting and Corporate Regulatory Authority ("ACRA") and the SGX at the Company's expense.

CORPORATE GOVERNANCE REPORT (CONT'D)

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. *Provision 1.2*

Directors also are regularly updated on the business activities 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 Chapter 50 (the "Act"). *Provision 1.6*

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 Remuneration Committee;
g) approve the nominations to the Board of Directors and appointment of key management personnel, as recommended by the Nominating Committee;
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. *Provision 1.3*

CORPORATE GOVERNANCE REPORT (CONT'D)

Delegation to Board Committees *Provision 1.4*

The Board has delegated specific responsibilities to three committees namely, the Audit and Risk Committee ("AC"), the Nominating Committee ("NC") and the Remuneration Committee ("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. 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.

Attendance at Board and Committee Meetings *Provision 1.5* *Provision 1.6*

The Board conducts regular scheduled meetings on a quarterly basis. The Board and the Board Committees meet regularly based on 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 permits 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 other Committees during the FY2020 is as follows: *Provision 1.5*

Meetings of:	Board	Audit and Risk Committee	Nominating Committee	Remuneration Committee
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	-	-	-
Ong Kian Min	4	4	1	1
Leow Ban Tat	4	4	1	1
Paul Tan Poh Lee	4	4	-	1

In addition to the above, the Independent Directors had also met with the internal auditors and external auditors without the presence of the Executive Directors or Management at least once in 2020.

During FY2020, the independent directors and non-executive directors 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.

CORPORATE GOVERNANCE REPORT (CONT'D)

Multiple Board Representations

All directors are required to declare their board representations and ensure that sufficient time and attention are given to the affairs of the Group. The NC will review 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. *Provision 1.5*

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.

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. *Provision 1.6*

The Directors have separate and independent access to 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, 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. *Provision 1.7*

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.

Independent Directors comprise at least one-third of the Board and their independence is assessed and reviewed annually by the NC. The Board comprises six Directors, of whom three are Independent Directors. The Board members are: *Rule 210(5)(c)*

CORPORATE GOVERNANCE REPORT (CONT'D)

Rule 1207(10B)

	Board	**AC**	**NC**	**RC**
Jeffrey Hing Yih Peir	Executive Chairman	-	Member	-
James Tham Tuck Choong	Managing Director	-	-	-
Tung May Fong	Finance and Administration Director	-	-	-
Ong Kian Min	Lead Independent & Non-executive Director	Chairman	Member	Member
Leow Ban Tat	Independent & Non-executive Director	Member	Chairman	Member
Paul Tan Poh Lee	Independent & Non-executive Director	Member	-	Chairman

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

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.

As part of the board renewal process, Mr Ong Kian Min and Mr Paul Tan Poh Lee will be stepping down from the Board at the conclusion of the forthcoming Annual General Meeting in 2021. Mr Tan has been a director of the Company since 2017 and Mr Ong has served on the Board for over 20 years. The Board and Management of Penguin would like to express their gratitude to both Mr Ong and Mr Tan for their invaluable contributions to the Group over the years. The NC has been continuously reviewing the need for progressive renewal of the Board from time to time.

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.

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*

CORPORATE GOVERNANCE REPORT (CONT'D)

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.

As a director who is associated with a 5% shareholder may be deemed to be non-independent under the Code, the NC noted that from 1 January 2020 to 31 March 2020, Mr Paul Tan was engaged as a Consultant to Keppel Offshore & Marine Ltd (he had stepped down as Chief Financial Officer of Keppel Offshore and Marine Ltd on 31 December 2019). Keppel Offshore and Marine Ltd is deemed to be interested in the shares owned by KS Investments Pte Ltd, a substantial shareholder of the Company holding 6.24% of the Company's shares. The NC also noted that the Keppel Group and that of their affiliates have no business dealings and are not in direct competition with the Penguin Group of companies.

As a director's independence is a matter of substance which is difficult to determine, rather than of strict compliance with specific Rules or guidelines, the NC was of the view that, notwithstanding his connection with a substantial shareholder, the relationship did not affect Mr Tan's independent judgement in the discharge of his duties as a director of the Company.

In addition, having considered Mr Tan's declaration, along with his active participation and actual performance on the Board and board committees, his valuable contributions to the Board and board committees and the outcome of the recent peer review, the NC unanimously agreed that Mr Tan has at all times exercised independent judgement in the best interest of the Company in the discharge of his director's duties and should therefore continue to be deemed an independent director.

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)*

As at 31 December 2020, Mr Ong Kian Min has served on the Board for more than 9 years from the date of his first appointment. After due and careful rigorous review, the Board (with Mr Ong abstaining from the review), with the concurrence of the NC, has determined that Mr. Ong is to be considered independent notwithstanding that he has served on the Board beyond 9 years as he has continued to demonstrate strong independence in character and judgement in the discharge of his responsibility as an independent Director of the Company, with utmost commitment in upholding the interest of non-controlling shareholders. He has continued to express his individual viewpoint, debated issues and objectively scrutinised and challenged Management. He has also sought clarification and amplification as and when necessary, including through direct access to Management. Based on his declaration, Mr. Ong does not have relationships or circumstances that are likely to affect or that could affect his judgement that could compromise his independence on board matters.

Taking into account the above, the Board has resolved that Mr Ong continues to be considered independent director notwithstanding that he has served on the Board for more than 9 years.

Following their review, the NC is of the opinion that Mr Ong Kian Min, Mr Leow Ban Tat and Mr Paul Tan Poh Lee should be deemed independent directors. The Board has reviewed the basis of the NC's recommendations and concurred with the NC's assessment of independence in respect of the aforementioned non-executive directors. The Company is in compliance of Rule 210(5)(d) of the Listing Manual of the SGX-ST which sets out the circumstances under which a director will not be independent.

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. The NC and the Board are of the view that the independence of independent 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 FY2020, non-executive Directors made up half of the Board, which constitutes a variation from Provision 2.3 of the Code which provides that non-executive Directors make up a majority of the Board. The Company is of the view that the intent of Principle 2 is met, as non-executive independent Directors make up half the Board and the Company also has a Lead Independent Director. In addition, all Board Committees are chaired by Independent Directors. *Provision 2.3*

In FY2020, the non-executive independent 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. The non-executive independent 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. 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 from time to time. *Provision 2.4*

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*

Although the Company does not have a written policy on Board Diversity, it has maintained a culture of diversity to benefit from a wide talent pool.

In terms of the Board's composition, the Company also 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. Gaps identified, if any, will be considered in determining the optimum composition of the Board, and where possible, will be balanced appropriately. *Provision 2.4*

The Board comprise Directors who as a group provide an appropriate balance and diversity of skills and experience including financial, legal and business management 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. *Provision 2.4*

CORPORATE GOVERNANCE REPORT (CONT'D)

The Directors are between the ages of 48 to 67 and the Company has one female Director on the Board. In terms of board independence, there are three non-executive independent Directors out of a total of six Directors, hence the independent Directors represent 50% of the total board membership.

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

The Independent and Non-Executive Directors, 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. *Provision 2.5*

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. *Provision 3.1 Rule 1207(10B)*

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. *Provision 3.2*

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 *Provision 3.3*

To enhance the independence of the Board, Mr. Ong Kian Min, 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 Independent 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.

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: - *Provision 1.4 Provision 4.2 Rule 1207(10B)*

Leow Ban Tat (Chairman)
Ong Kian Min
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: *Provision 4.1*

(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) reviewing the independence of any Director who has served on the Board for more than nine (9) years from the date of his first appointment and the reasons for considering him as independent;

(d) 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 *Provision 4.3*

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.

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 once every three years. *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	25 April 2019
Tung May Fong	2 May 2008	25 April 2019
Ong Kian Min	30 September 1997	24 April 2018
Leow Ban Tat	28 April 2015	29 May 2020
Paul Tan Poh Lee	8 May 2017	24 April 2018

At the 2021 AGM, Mr Ong Kian Min and Mr Paul Tan Poh Lee are due for retirement by rotation pursuant to Regulation 92 of the Company's Constitution and will not be seeking re-election. They will both retire at the conclusion of the 2021 AGM. The Company will be putting up the nomination of Mr Winston Kwek Choon Lin as a Director of the Company at the 2021 AGM. The NC has reviewed and recommended the proposed appointment of Mr Winston Kwek Choon Lin as an Independent Director of the Company. The Board has acccepted the NC's recommendation and is recommending the same for shareholders' approval at the 2021 AGM. Additional information relating to Mr Winston Kwek Choon Lin is set out on pages 144 to 147 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. *Provision 4.4*

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 Ong Kian Min, Mr Leow Ban Tat and Mr Paul Tan are independent and that no individual or small group of individuals dominate the Board's decision making.

Directors' time commitments

The NC ensures 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 FY2020. *Provision 4.5*

The NC also believes that contributions from each Director can 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.

CORPORATE GOVERNANCE REPORT (CONT'D)

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

As at 31 December 2020, there is no alternate director on the Board.

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, 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. *Provision 5.2*

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: - *Provision 1.4*
Provision 6.2
Rule 1207(10B)

Paul Tan Poh Lee (Chairman)
Ong Kian Min
Leow Ban Tat

The RC is guided by written terms of reference approved by the Board and its principal responsibilities are: *Provision 6.1*

CORPORATE GOVERNANCE REPORT (CONT'D)

(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. *Provision 6.3*

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. *Provision 6.4*

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 once a year. The key performance indicators include the Company's profitability and other financial and operational indicators as determined by the Board. *Provision 7.1*

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.

CORPORATE GOVERNANCE REPORT (CONT'D)

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 non-executive independent Director, the responsibilities vested upon them and the effort and time commitment required from the non-executive independent Directors given the complexities of the business and the business structure. *Provision 7.2*

The Board concurred with the RC that the proposed directors' fees for the year ended 31 December 2020 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. *Provision 7.3*

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 to 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 Directors or controlling shareholders 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 FY2020. 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. *Provision 8.1(a)*

CORPORATE GOVERNANCE REPORT (CONT'D)

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.

Details of remuneration and benefits of Directors and key management personnel for the financial year ended 31 December 2020 which will provide sufficient overview of the remuneration of Directors and key management personnel as set out below:-

	Directors' Fees* %	Salary %	Bonus %	Other benefits %	Total %
Executive Directors					
Between $500,000 and $750,000					
James Tham Tuck Choong	-	56	39	5	100
Tung May Fong	-	65	35	-	100
Between $250,000 and $500,000					
Jeffrey Hing Yih Peir	-	59	41	-	100
Non-Executive Directors					
Below $100,000					
Ong Kian Min	100	-	-	-	100
Leow Ban Tat	100	-	-	-	100
Paul Tan Poh Lee	100	-	-	-	100

** Directors' Fees are subject to shareholders' approval at the AGM to be held on 29 April 2021.*

Key Management Personnel *Provision 8.1(b)*

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 in FY2020 (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.

CORPORATE GOVERNANCE REPORT (CONT'D)

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

The Company believes that the remuneration information as disclosed above 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 current top key management personnel are found on page 18 to 19 of this Annual Report.

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 non-managerial position in the Company. His remuneration was between S$100,000 and $125,000 for the financial year ended 31 December 2020.

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 has 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*

(a) 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

(b) 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.

CORPORATE GOVERNANCE REPORT (CONT'D)

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 has implemented the SAP Accounting Software System throughout the Group since August 2013.

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.

Rule 1207(10)

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.

Provision 1.4
Provision 10.2
Rule 1207(10B)

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

Ong Kian Min (Chairman)
Paul Tan Poh Lee
Leow Ban Tat

AC Composition and Role

Provision 10.2

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.

Provision 10.3

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.

Provision 10.1

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.

CORPORATE GOVERNANCE REPORT (CONT'D)

Provision 10.1

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;

(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 access to and co-operation by Management and full discretion to invite any Director or executive officer to attend its meetings, and reasonable resources to enable it to discharge its functions properly.

CORPORATE GOVERNANCE REPORT (CONT'D)

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.

Internal Audit

The AC 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 audit 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. The AC also has full access to and co-operation from Management and the discretion to invite any Director or Executive Officer to attend its meetings and has reasonable resources to enable it to discharge its functions. 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 FY2020, to establish if their independence and objectivity had in any way been compromised. The audit and non-audit fees payable to PKF for FY2020 are disclosed on page 92 of this Annual Report. The AC is satisfied that the independence and objectivity of the external auditors have not been impaired by the provision of the non-audit services. *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 recommended to the Board the re-appointment of PKF as External Auditor of the Group for the year ending 31 December 2021. 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 FY 2020

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 FY2020. The AC reviewed and approved the internal audit plan for execution. *Provision 1.4*

In FY2020, 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.

Significant financial statement reporting matters

The significant issues considered by the AC in relation to financial statements during the year ended 31 December 2020 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. 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 2020. This is in page 57 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.

CORPORATE GOVERNANCE REPORT (CONT'D)

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 2020. This is in page 57 and 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 2020. This is in page 58 of the Annual Report.

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.

CORPORATE GOVERNANCE REPORT (CONT'D)

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 Companies 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. *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.

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 Companies Act, Chapter 50. 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. *Provision 11.5*

Conduct of AGM in 2020 amidst the current Covid-19 pandemic

In view of the COVID-19 situation in Singapore in FY2020, the AGM of the Company held on 29 May 2020 (the "**2020 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 which was gazetted on 13 April 2020. Alternative arrangements relating to the 2020 AGM held by electronic means were in-place.

Shareholders were invited to participate in the virtual 2020 AGM by (a) observing and/or listening to the proceedings via live-audio webcast and (b) submitting questions in advance of the 2020 AGM and (c) appointing the Chairman of the Meeting as proxy to attend, speak and vote on their behalf at the 2020 AGM.

The entire Board was present at the 2020 AGM. Whilst executive directors were present in person, the independent directors attended the 2020 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 during the period when elevated safe distancing measures are in place, the Company has published the minutes of the 2020 AGM on SGXNET and the Company's corporate website including responses to questions raised by shareholders in advance of the 2020 AGM.

CORPORATE GOVERNANCE REPORT (CONT'D)

Conduct of AGM in 2021

Due to prevailing COVID-19 restrictions, shareholders will not be able to attend our 2021 AGM in person.

Instead, we will be holding our 2021 AGM by electronic means on 29 April 2021 and shareholders are invited to participate at our virtual 2021 AGM by (a) observing and/or listening to the 2021 AGM proceedings via live-audio webcast or live audio-only stream; (b) submitting questions in advance of the 2021 AGM and (c) appointing the Chairman of the Meeting as proxy to attend, speak and vote on their behalf at the 2021 AGM. Details of the steps for pre-registration, submission of questions and voting at the 2021 AGM by shareholders, including CPF and SRS investors, are set out in a separate announcement released on SGXNET on 14 April 2021. In view of the constantly evolving Covid-19 situation in Singapore, shareholders should check SGXNET for the latest updates on the status of the 2021 AGM.

Dividend Policy

Provision 11.6

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.

In view of persistent Covid-related headwinds in the Group's key market segments - primarily crewboats and passenger ferries – as well as increased capital expenditures required for yard development and fleet expansion, with limited financing options, no divided was recommended for the financial year ended 31 December 2020.

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.

Provision 12.1
Provision 12.2
Provision 12.3

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.

CORPORATE GOVERNANCE REPORT (CONT'D)

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 view 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.

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 consider material. *Provision 13.1*

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 will be disclosed in the standalone Sustainability Report for the financial year ended 31 December 2020 which will be issued not later than 5 months after the end of the financial year. *Provision 13.2*

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. *Provision 13.3*

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 two weeks immediately preceding, and up to the time of the announcement of the Company's results for each of the first three quarters of its financial year and during the one month preceding, and up to the time of announcement of the company's results for the full financial year. *Rule 1207(19)(A) and (C)*

As the Company has ceased quarterly reporting in respect of financial year ended 31 December 2020, the Compliance Code has been updated whereby the Company, Directors and employees of the Group are not permitted to deal with the securities of the Company 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.

CORPORATE GOVERNANCE REPORT (CONT'D)

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. *Rule 1207(19)(B)*

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. *Rule 1207(8)*

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 falling under the terms of the Company's general mandate (the "IPT Mandate") authorising the Group to enter into certain interested persons transactions with 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. Interested person transactions which are not within the ambit of the IPT Mandate will be subject to Rules 905 and 906 of the Listing Manual. *Rule 1207(17) 1207(18)*

The aggregate value of transactions conducted with the following interested persons pursuant to the IPT Mandate was not material (less than $100,000) during the financial year ended 31 December 2020:

(a) Jeffrey Hing Yih Peir; and
(b) Associates of Jeffrey Hing Yih Peir.

There were no other significant interested person transactions (excluding transactions less than S$100,000) during the financial year ended 31 December 2020.

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. Details of the Group's sustainability practices, including the corporate social responsibility initiatives during FY2020, are set out in the Company's Sustainability Report which will be issued by 31 May 2021.

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 2020.

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 2020 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
Ong Kian Min
Leow Ban Tat
Paul Tan Poh Lee

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 following Directors, 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, Chapter 50, an interest in shares and share options of the Company and related corporations (other than wholly-owned subsidiaries), as stated below:

	Held in the name of Directors			Deemed interest		
Name of Director	At the beginning of financial year	At the end of the financial year	At 21 January 2021	At the beginning of financial year	At the end of the financial year	At 21 January 2021
The Company						
Penguin International Limited (Ordinary shares)						
Jeffrey Hing Yih Peir	–	–	–	43,333,549	46,792,849	46,792,849
James Tham Tuck Choong	666,666	666,666	666,666	–	–	–
Tung May Fong	51,500	51,500	51,500	–	–	–

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, Chapter 50. 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

24 March 2021

INDEPENDENT AUDITOR'S STATEMENT

For the financial year ended 31 December 2020

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 2020, 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.

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, Chapter 50 (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 2020 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.

INDEPENDENT AUDITOR'S STATEMENT

For the financial year ended 31 December 2020

Independent Auditor's Report to the Members of Penguin International Limited (Cont'd)

Key Audit Matters (Cont'd)

Assessment of impairment of property, plant and equipment

The carrying amount of the Group's motor launches as at 31 December 2020 amounted to approximately $60 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 2020. 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 are 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.

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 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 $33 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.

INDEPENDENT AUDITOR'S STATEMENT

For the financial year ended 31 December 2020

Independent Auditor's Report to the Members of Penguin International Limited (Cont'd)

Key Audit Matters (Cont'd)

Revenue recognition measured based on the input method (Cont'd)

- 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.

Assessment of impairment of trade receivables

The trade receivables of the Group as at 31 December 2020 amounted to approximately $10 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.

INDEPENDENT AUDITOR'S STATEMENT

For the financial year ended 31 December 2020

Independent Auditor's Report to the Members of Penguin International Limited (Cont'd)

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

For the financial year ended 31 December 2020

Independent Auditor's Report to the Members of Penguin International Limited (Cont'd)

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

24 March 2021

CONSOLIDATED INCOME STATEMENT

For the financial year ended 31 December 2020

	Note	2020	2019 Reclassification
		$'000	$'000
Revenue	4	119,417	136,337
Cost of sales		(85,919)	(95,767)
Gross profit		33,498	40,570
Other income	5	10,043	6,084
Marketing and distribution costs		(195)	(284)
Administrative expenses	6	(20,960)	(19,223)
Other operating expenses	7	(7,168)	(8,039)
Finance costs	8	(263)	(128)
Interest income	8	409	981
Profit before tax	10	15,364	19,961
Income tax expense	11	(2,157)	(547)
Profit for the year		13,207	19,414
Attributable to:			
Owners of the Company		13,208	19,415
Non-controlling interests		(1)	(1)
Profit for the year		13,207	19,414
Earnings per share (cents per share)			
- Basic	12	6.00	8.82
- Diluted	12	6.00	8.82

The comparative figures for the Group's cost of sales, administrative expenses and finance costs for the year ended 31 December 2019 had been reclassified. The depreciation of right-of-use assets of $275,000 and interest expenses on lease liabilities of $16,000 in relation to lease of worker dormitories that were previously classified as administrative expense and finance costs respectively had been reclassified to cost of sales to provide a more meaningful comparison of costs.

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 2020

	2020 $'000	2019 Reclassification $'000
Profit for the year	13,207	19,414
Other comprehensive income/(loss):		
Items that may be reclassified subsequently to profit or loss		
Net effect of exchange differences arising from quasi capital loan to subsidiaries	(921)	(524)
Foreign currency translation	(35)	(116)
	(956)	(640)
Items that will not be reclassified subsequently to profit or loss		
Changes in fair value of equity investment at FVOCI	(1,457)	–
Issue of Management Award Shares as per the investment agreement with respect to Marco Polo Marine Limited	–	(543)
	(1,457)	(543)
Other comprehensive loss for the year, net of tax	(2,413)	(1,183)
Total comprehensive income for the year	10,794	18,231
Attributable to:		
Owners of the Company	10,795	18,232
Non-controlling interests	(1)	(1)
Total comprehensive income for the year	10,794	18,231

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

BALANCE SHEETS

As at 31 December 2020

	Note	Group 2020 $'000	Group 2019 Reclassification $'000	Company 2020 $'000	Company 2019 Reclassification $'000
Non-current assets					
Property, plant and equipment	13	100,451	82,174	1,606	3,027
Right-of-use assets	27	8,984	2,253	727	1,653
Investment in subsidiaries	14	–	–	19,551	18,390
Loan to a subsidiary	20	–	–	70,837	70,837
Other investments	15	3,157	5,157	3,157	5,157
Intangible asset	16	78	78	–	–
Other receivables	19	2,345	124	–	–
		115,015	89,786	95,878	99,064
Current assets					
Inventories	17	57,344	42,008	–	–
Trade receivables	18	10,120	13,139	1,798	1,906
Other receivables and deposits	19	12,692	14,469	363	487
Contract assets	25	1,695	3,268	–	156
Prepayments		409	577	96	150
Loans to subsidiaries	20	–	–	34,886	24,330
Fixed deposits	21	4,201	34,885	–	10,227
Cash and bank balances	21	35,775	25,018	7,175	1,098
		122,236	133,364	44,318	38,354
Assets classified as held for sale	13	–	7,322	–	1,412
		122,236	140,686	44,318	39,766
Current liabilities					
Trade payables	22	18,767	16,038	–	193
Other payables and accruals	23	22,309	37,543	2,328	3,008
Provisions	24	483	522	–	193
Contract liabilities	25	776	1,042	428	93
Deferred income		500	–	124	–
Provision for income tax		2,209	1,427	518	335
Lease liabilities	27	1,350	1,292	765	897
Term loan	26	958	83	958	–
Deposits from subsidiaries	20	–	–	8,896	11,724
		47,352	57,947	14,017	16,443
Net current assets		74,884	82,739	30,301	23,323

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

BALANCE SHEETS (CONT'D)

As at 31 December 2020

	Note	Group 2020	Group 2019 Reclassification	Company 2020	Company 2019 Reclassification
		$'000	$'000	$'000	$'000
Non-current liabilities					
Deferred tax liabilities	29	2,219	2,075	132	568
Provisions	24	1,765	1,726	1,604	1,604
Lease liabilities	27	7,783	1,030	–	791
Term loan	26	3,497	–	3,497	–
		15,264	4,831	5,233	2,963
Net assets		174,635	167,694	120,946	119,424
Share capital	30	94,943	94,943	94,943	94,943
Retained earnings		92,188	82,833	30,846	27,867
Other reserves	31	(12,492)	(10,079)	(4,843)	(3,386)
		174,639	167,697	120,946	119,424
Non-controlling interests		(4)	(3)	–	–
Total equity		174,635	167,694	120,946	119,424

The comparative figures for the Group's trade receivables, Group's other receivables, Company's trade payables and Company's other payables and accruals as at 31 December 2019 had been reclassified. The Group's GST receivables of $465,000 and Company's GST payables of $26,000 that were previously classified as trade receivables and trade payables respectively had been reclassified to other receivables and deposits and other payables and accruals respectively to provide a more meaningful comparison of costs.

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 2020

	Attributable to owners of the Company: Share capital	Other reserves	Retained earnings	Sub-total	Non-controlling interests	Total equity
	$'000	$'000	$'000	$'000	$'000	$'000
Group						
2020						
Opening balance as at 1 January 2020	94,943	(10,079)	82,833	167,697	(3)	167,694
Profit for the year	–	–	13,208	13,208	(1)	13,207
Other comprehensive income						
Net effect of exchange differences arising from quasi capital loan to subsidiaries	–	(921)	–	(921)	–	(921)
Foreign currency translation	–	(35)	–	(35)	–	(35)
Change in fair value of equity investment at FVOCI	–	(1,457)	–	(1,457)	–	(1,457)
Other comprehensive income for the year, net of tax	–	(2,413)	–	(2,413)	–	(2,413)
Total comprehensive income for the year	–	(2,413)	13,208	10,795	(1)	10,794
Contributions by and distributions to owners						
Dividends paid (Note 35)	–	–	(3,853)	(3,853)	–	(3,853)
Total contributions by and distributions to owners	–	–	(3,853)	(3,853)	–	(3,853)
Closing balance at 31 December 2020	94,943	(12,492)	92,188	174,639	(4)	174,635

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 2020

	Attributable to owners of the Company					
	Share capital $'000	Other reserves $'000	Retained earnings $'000	Sub-total $'000	Non-controlling interests $'000	Total equity $'000
Group						
2019						
Opening balance as at 1 January 2019	94,943	(8,896)	66,170	152,217	(2)	152,215
Profit for the year	–	–	19,415	19,415	(1)	19,414
Other comprehensive income						
Net effect of exchange differences arising from quasi capital loan to subsidiaries	–	(524)	–	(524)	–	(524)
Foreign currency translation	–	(116)	–	(116)	–	(116)
Issue of Management Award Shares as per the investment agreement with respect to Marco Polo Marine Limited (Note 23)	–	(543)	–	(543)	–	(543)
Other comprehensive income for the year, net of tax	–	(1,183)	–	(1,183)	–	(1,183)
Total comprehensive income for the year	–	(1,183)	19,415	18,232	(1)	18,231
Contributions by and distributions to owners						
Dividends paid (Note 35)	–	–	(2,752)	(2,752)	–	(2,752)
Total contributions by and distributions to owners	–	–	(2,752)	(2,752)	–	(2,752)
Closing balance at 31 December 2019	94,943	(10,079)	82,833	167,697	(3)	167,694

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 2020

	Share capital $'000	Other reserve $'000	Retained earnings $'000	Total equity $'000
Company				
2020				
Opening balance at 1 January 2020	94,943	(3,386)	27,867	119,424
Profit for the year	–	–	6,832	6,832
Other comprehensive income				
Change in fair value of equity investment at FVOCI	–	(1,457)	–	(1,457)
Total comprehensive income for the year	–	(1,457)	6,832	5,375
Contributions by and distributions to owners				
Dividends paid (Note 35)	–	–	(3,853)	(3,853)
Total contributions by and distributions to owners	–	–	(3,853)	(3,853)
Closing balance at 31 December 2020	94,943	(4,843)	30,846	120,946

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 2020

	Share capital $'000	Other reserve $'000	Retained earnings $'000	Total equity $'000
Company				
2019				
Opening balance at 1 January 2019	94,943	(2,843)	23,411	115,511
Profit for the year	–	–	7,208	7,208
Other comprehensive income				
Issue of Management Award Shares as per the investment agreement with respect to Marco Polo Marine Limited (Note 23)	–	(543)	–	(543)
Total comprehensive income for the year	–	(543)	7,208	6,665
Contributions by and distributions to owners				
Dividends paid (Note 35)	–	–	(2,752)	(2,752)
Total contributions by and distributions to owners	–	–	(2,752)	(2,752)
Closing balance at 31 December 2019	94,943	(3,386)	27,867	119,424

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 2020

	Note	2020 $'000	2019 Reclassification $'000
Operating activities			
Profit before tax		15,364	19,961
Adjustments for:			
Depreciation of property, plant and equipment and right-of-use assets		10,409	10,046
Gain on disposal of property, plant and equipment and assets classified as held for sale		(5,328)	(4,030)
Interest expense		218	84
Interest income		(409)	(981)
Property, plant and equipment written off		19	9
(Reversal of impairment)/ impairment on inventories		(20)	530
Allowance/ (reversal of allowance) for doubtful trade receivables		321	(141)
Net fair value loss on derivatives		–	163
Provision for employee retirement benefits		45	33
Provision for warranty claims on shipbuilding contracts, net		333	483
Currency alignment		(1,280)	17
Operating cash flows before changes in working capital		19,672	26,174
Inventories		(15,900)	(21,930)
Trade receivables		2,698	6,932
Other receivables, deposits and prepayments		(322)	1,649
Contract assets		1,573	11,544
Trade payables		2,729	(2,047)
Other payables and accruals		(14,691)	13,210
Provisions		(372)	(157)
Contract liabilities		(266)	(3,673)
Deferred income, including government grant		500	(178)
Cash flows (used in)/ from operations		(4,379)	31,524
Interest paid		(218)	(84)
Interest received		409	981
Income taxes paid, net		(1,171)	(1,832)
Net cash flows (used in)/ generated from operating activities		(5,359)	30,589

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

CONSOLIDATED CASH FLOW STATEMENT (CONT'D)

For the financial year ended 31 December 2020

	Note	2020	2019 Reclassification
		$'000	$'000
Investing activities			
Proceeds from disposal of property, plant and equipment and assets classified as held for sale		21,762	13,700
Additions to property, plant and equipment		(36,092)	(22,289)
Net cash flows used in investing activities		(14,330)	(8,589)
Financing activities			
Proceed from term loan		5,000	–
Repayment of term loans		(628)	(1,000)
Dividends paid		(3,853)	(2,752)
Payment of principal portion of lease liabilities		(1,467)	(765)
Increase in pledged deposits with licensed bank		(1,883)	(1,139)
Net cash flows used in financing activities		(2,831)	(5,656)
Net (decrease)/ increase in cash and cash equivalents		(22,520)	16,344
Effect of exchange rate changes on cash and cash equivalents		710	(200)
Cash and cash equivalents at 1 January		57,150	41,006
Cash and cash equivalents at 31 December	21	35,340	57,150

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 2020

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 18 Tuas Basin Link, Singapore 638784.

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.

The accounting policies adopted are consistent with those of the previous financial year except that in the current financial year, the Group has adopted all the new and amended standards which are relevant to the Group and are effective for annual financial periods beginning on or after 1 January 2020. The adoption of these new and amended standards does not result in changes to the Group's and the Company's accounting policies and has no material effect on the disclosure or on the amounts reported for the current or prior years, except as discussed below.

Impact of the initial application of COVID-19-Related Rent Concessions amendment to SFRS(I) 16

In May 2020, the ASC issued Covid-19-Related Rent Concessions (Amendment to SFRS(I) 16) that provides practical relief to lessees in accounting for rent concessions occurring as a direct consequence of COVID-19, by introducing a practical expedient to SFRS(I) 16. The practical expedient permits a lessee to elect not to assess whether a COVID-19-related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19-related rent concession the same way it would account for the change applying SFRS(I) 16 if the change were not a lease modification. The amendment is effective for annual periods beginning on or after June 1, 2020, with early application permitted.

The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 and only if all of the following conditions are met:

a) The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.1 ***Basis of preparation (cont'd)***

Impact of the initial application of COVID-19-Related Rent Concessions amendment to SFRS(I) 16 (cont'd)

b) Any reduction in lease payments affects only payments originally due in on or before June 30, 2021 (a rent concession meets this condition if it results in reduced lease payments on or before June 30, 2021 and increased lease payments that extend beyond June 30, 2021); and

c) There is no substantive change to other terms and conditions of the lease.

In the current financial year, the Group has applied the amendment to SFRS(I) 16 in advance of its effective date and applied the practical expedient consistently to eligible rent concessions. The amendment has no impact on retained earnings on 1 January 2020.

2.2 ***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 January 2023
Amendments to SFRS(I) 3: Reference to the Conceptual Framework	1 January 2022
Amendments to SFRS(I) 1-16: Property, Plant and Equipment – Proceeds before Intended Use	1 January 2022
Amendments to SFRS(I) 1-37: Onerous Contracts – Costs of Fulfilling a Contract	1 January 2022
Annual Improvements to SFRS(I)s 2018 - 2020	1 January 2022

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.

2.3 ***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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

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

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;
- 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 2.7. 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 ***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.

2.5 ***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.

2.6 ***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 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.7 ***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.

2.8 ***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	4 - 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.8 ***Property, plant and equipment (cont'd)***

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.

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.

2.9 ***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 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.10 ***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.

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.

(ii) *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.

(iii) *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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.10 ***Financial instruments (cont'd)***

(a) ***Financial assets (cont'd)***

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.10 Financial instruments (cont'd)

(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.

2.11 ***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.

2.12 ***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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.13 ***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.

2.14 ***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.

2.15 ***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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.16 ***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.

2.17 ***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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.17 ***Provisions (cont'd)***

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.

2.18 ***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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.18 ***Employee benefits (cont'd)***

(b) ***Defined employee retirement benefits (cont'd)***

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.

2.19 ***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 2.9.

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.19 ***Leases (cont'd)***

As lessee (cont'd)

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.

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.

2.20 ***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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.21 ***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.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.22 ***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

– 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.22 ***Taxes (cont'd)***

(b) ***Deferred tax (cont'd)***

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.

(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.

2.23 ***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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.24 ***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.

2.25 ***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.

2.26 ***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".

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2020

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 2020 was $100,451,000 (2019: $82,174,000).

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 2020, the Group recorded revenue from shipbuilding contracts using the POC method amounting to $32,666,000 (2019: $31,282,000).

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2020

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, the financial effect of revising lease term to reflect the effect of exercising options was an increase in recognised lease liabilities and right-of-use assets of $46,000.

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.

The Group and Company review the financial health of their debtors periodically and observe payment trends with consideration of forward-looking information to identify any evidence of credit loss and to provide allowance for impairment accordingly.

(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 judgment.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2020

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	
	2020	**2019**
	$'000	**$'000**
Chartering	21,674	27,920
Shipbuilding	94,808	106,373
Ship repairs and maintenance	2,935	2,044
	119,417	136,337

Revenue of $62,738,000 (2019: $75,590,000) and $56,679,000 (2019: $60,747,000) 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 $44,541,000 (2019: $60,205,000) and the Group expects to recognise this revenue within the next 9 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	
	2020	**2019**
	$'000	**$'000**
Gain on disposal of property, plant and equipment and assets classified as held for sale	5,328	4,030
Scrap sales	233	303
Grant received*	3,604	56
Forfeiture of deposit from shipbuilding contract	–	942
Forfeiture of goodwill deposit	315	–
Claim from insurance company	80	340
Others	483	413
	10,043	6,084

*Grant received includes the government grant for Covid-19 business support schemes provided by the Singapore government amounting to $3,518,000, of which $1,670,000 relates to Jobs Support Scheme ("JSS").

In 2020, the Group received wage support for local employees under JSS from the Singapore Government as part of the Government's measures to support businesses during the period of economic uncertainty impacted by COVID-19. The Group assessed that there is reasonable assurance that it will comply with the conditions attached to the grants and the grants will be received. Grant income is recognised in profit or loss on a systematic basis over the period of uncertainty in which the related salary costs for which the grant is intended to compensate is recognised as expenses. Management has determined the period of uncertainty to be 17 months commencing from April 2020.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2020

6. ADMINISTRATIVE EXPENSES

	Group 2020 $'000	Group 2019 $'000
Included in administrative expenses are the following:		
Audit fees:		
- Auditor of the Company	(114)	(112)
- Other auditors	(22)	(23)
Non audit fees:		
- Auditor of the Company	(30)	–
Depreciation of property, plant and equipment (Note 13)	(2,663)	(2,690)
Depreciation of right-of-use assets	(1,050)	(834)
Employee benefits expense (Note 9)	(13,099)	(12,669)
Legal fees	(23)	(14)
Professional fees	(1,195)	(860)
Property, plant and equipment written off (Note 13)	(19)	(9)
Operating lease expense (Note 27(c))	(378)	(61)
Water and electricity	(379)	(369)
Transportation	(215)	(211)

7. OTHER OPERATING EXPENSES

	Group 2020 $'000	Group 2019 $'000
Included in other operating expenses are the following:		
Depreciation of property, plant and equipment (Note 13)	(5,715)	(5,820)
Net foreign exchange gain/ (loss)	312	(692)
Reversal of impairment loss/ (impairment loss) on inventory (Note 17)	20	(530)
(Allowance)/ reversal for doubtful trade receivables (Note 18)	(321)	141
Insurance expense	(861)	(730)
Net fair value loss on derivatives	–	(163)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2020

8. FINANCE COSTS/ INTEREST INCOME

	Group 2020 $'000	Group 2019 Reclassification $'000
Bank charges	(67)	(60)
Interest expense on term loans	(84)	(24)
Interest expense on lease liabilities	(112)	(44)
	(263)	(128)
Interest income from short term deposits and bank balances	147	487
Interest income from customers under deferred payment arrangement	262	494
	409	981

9. EMPLOYEE BENEFITS EXPENSE

	Group 2020 $'000	Group 2019 $'000
Wages, salaries and bonuses	(17,454)	(16,989)
Central Provident Fund contributions	(2,292)	(2,046)
Other short-term benefits	(976)	(1,166)
	(20,722)	(20,201)
Included in profit or loss:		
Administrative expenses (Note 6)	(13,099)	(12,669)
Cost of sales	(5,004)	(6,806)
	(18,103)	(19,475)
Capitalised in balance sheet:		
Inventories	(2,619)	(726)
	(20,722)	(20,201)

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2020

10. PROFIT BEFORE TAX

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

	Group	
	2020	2019
	$'000	$'000
Inventories recognised as an expense in cost of sales (Note 17)	(75,918)	(85,509)
Provision for warranty claims, net (Note 24)	(332)	(483)

11. INCOME TAX EXPENSE

Major components of income tax expense

The major components of income tax expense for the years ended 31 December 2020 and 2019 are:

	Group	
	2020	2019
	$'000	$'000
Consolidated income statement:		
Current tax		
- Current year tax expense	(1,830)	(2,045)
- (Under)/ over provision in respect of previous years	(184)	1,389
Deferred tax		
- Movement in temporary differences	(150)	(53)
- Over provision in respect of previous years	7	162
Income tax expense recognised in the consolidated income statement	(2,157)	(547)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2020

11. INCOME TAX EXPENSE (CONT'D)

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 2020 and 2019 is as follows:

	Group	
	2020	2019
	$'000	$'000
Profit before taxation	15,364	19,961
Tax expense at the domestic rates applicable to profits in the countries where the Group operates	(2,104)	(3,302)
Tax effect of expenses not deductible	(884)	(785)
Tax effect of income not subject to tax	316	36
(Under)/ over provision in respect of previous years	(177)	1,551
Utilisation of deferred tax assets previously not recognised	596	1,835
Deferred tax assets not recognised	(1)	(53)
Enhanced tax deduction	–	2
Effect of partial tax exemption and tax relief	97	169
Income tax expense recognised in the consolidated income statement	(2,157)	(547)

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

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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2020

12. EARNINGS PER SHARE (CONT'D)

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 2020 $'000	Group 2019 $'000
Profit for the year attributable to owners of the Company used in the computation of basic and diluted earnings per share	13,208	19,415
Weighted average number of ordinary shares used in the computation of basic and diluted earnings per share	220,170	220,170

13. PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold buildings $'000	Motor launches $'000	Machinery and equipment $'000	Office equipment $'000	Motor vehicles $'000	Construction in progress $'000	Deferred drydocking expenditure $'000	Total $'000
Cost								
At 1 January 2019	27,566	95,175	12,146	5,820	601	8,351	2,429	152,088
Additions	335	14,336	2,247	311	–	4,910	150	22,289
Transfer	2,402	8,086	3	4	–	(10,495)	–	–
Disposals	–	(12,930)	(227)	(1)	–	–	(518)	(13,676)
Written off	(7)	–	(1)	(3)	–	–	–	(11)
Transfers from assets held for sale	–	(15,100)	(62)	–	–	–	(975)	(16,137)
Net exchange difference	320	(740)	50	11	2	9	(15)	(363)
At 31 December 2019 and 1 January 2020	30,616	88,827	14,156	6,142	603	2,775	1,071	144,190
Additions	2,075	10,084	1,387	256	–	21,656	1,218	36,676
Transfer	306	4,051	–	–	–	(4,357)	–	–
Disposals	–	(13,701)	(224)	–	–	–	(220)	(14,145)
Written off	–	–	(78)	–	–	–	–	(78)
Net exchange difference	(447)	(573)	(94)	(14)	(2)	(3)	(9)	(1,142)
At 31 December 2020	32,550	88,688	15,147	6,384	601	20,071	2,060	165,501

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2020

13. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Group (cont'd)	Leasehold buildings $'000	Motor launches $'000	Machinery and equipment $'000	Office equipment $'000	Motor vehicles $'000	Construction in progress $'000	Deferred drydocking expenditure $'000	Total $'000
Accumulated depreciation								
At 1 January 2019	15,189	35,678	8,919	5,185	400	–	158	65,529
Charge for the year	2,289	5,284	536	338	63	–	702	9,212
Disposals	–	(3,461)	(26)	–	–	–	(322)	(3,809)
Written off	(1)	–	–	(1)	–	–	–	(2)
Transfers from assets held for sale	–	(8,424)	(22)	–	–	–	(369)	(8,815)
Net exchange difference	109	(244)	25	14	2	–	(5)	(99)
At 31 December 2019 and 1 January 2020	17,586	28,833	9,432	5,536	465	–	164	62,016
Charge for the year	2,286	4,980	735	320	57	–	484	8,862
Disposals	–	(5,257)	(50)	–	–	–	(66)	(5,373)
Written off	–	–	(59)	–	–	–	–	(59)
Net exchange difference	(148)	(188)	(37)	(12)	(2)	–	(9)	(396)
At 31 December 2020	19,724	28,368	10,021	5,844	520	–	573	65,050
Net carrying amount								
At 31 December 2019	13,030	59,994	4,724	606	138	2,775	907	82,174
At 31 December 2020	12,826	60,320	5,126	540	81	20,071	1,487	100,451

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2020

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 2019	14,850	10,509	180	2,776	165	28,480
Additions	43	–	9	147	–	199
Disposals	–	(2,777)	(26)	(25)	–	(2,828)
Written off	–	–	–	(21)	–	(21)
Transfers to assets held for sale	–	(4,090)	(31)	–	–	(4,121)
At 31 December 2019 and 1 January 2020	14,893	3,642	132	2,877	165	21,709
Additions	90			99		189
Disposals	–	–	–	(4)	–	(4)
Written off	–	–	–	(17)	–	(17)
At 31 December 2020	14,983	3,642	132	2,955	165	21,877
Accumulated depreciation						
At 1 January 2019	10,701	8,810	88	2,446	62	22,107
Charge for the year	1,582	313	13	178	33	2,119
Disposals	–	(2,777)	(12)	(25)	–	(2,814)
Written off	–	–	–	(21)	–	(21)
Transfers to assets held for sale	–	(2,704)	(5)	–	–	(2,709)
At 31 December 2019 and 1 January 2020	12,283	3,642	84	2,578	95	18,682
Charge for the year	1,398	–	10	168	33	1,609
Disposals	–	–	–	(3)	–	(3)
Written off	–	–	–	(17)	–	(17)
At 31 December 2020	13,681	3,642	94	2,726	128	20,271
Net carrying amount						
At 31 December 2019	2,610	–	48	299	70	3,027
At 31 December 2020	1,302	–	38	230	37	1,606

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2020

13. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Assets pledged as security

The carrying amount of property, plant and equipment pledged to secure banking facilities is as follows:

	Group 2020 $'000	Group 2019 $'000	Company 2020 $'000	Company 2019 $'000
Motor launches	–	4,879	–	–

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 2020.

Assets classified as held for sale

In prior year, the Group and the Company 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 2020 $'000	Group 2019 $'000	Company 2020 $'000	Company 2019 $'000
Assets classified as held for sale	–	7,322	–	1,412

Assets under construction

The Group's construction in progress of $20,071,000 (2019: $2,775,000) relates to expenditure for motor launches, new yard development in Tuas and upgrading of shipbuilding facilities in Batam (2019: motor launches) in the course of construction.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2020

14. INVESTMENT IN SUBSIDIARIES

	Company 2020 $'000	Company 2019 $'000
Unquoted equity shares, at cost*	34,403	32,476
Impairment losses	(14,852)	(14,086)
Total investment in subsidiaries	19,551	18,390

*In FY2020, included in unquoted equity shares is investment in Swissco Offshore (Pte.) Ltd. This investment represents an acquisition of the leasehold property located at 21 Tuas Road with 20-years lease. The management is of the view that the acquisition is a suitable replacement waterfront property as the Company's lease of its present premises at 18 Tuas Basin Link will be expiring in end 2021.

	Company 2020 $'000	Company 2019 $'000
An analysis of movement in impairment loss on investment in subsidiaries is as follows:		
At beginning of year	14,086	12,557
Allowance for impairment loss	766	1,529
At end of year	14,852	14,086

The allowance for impairment loss is due to the recoverable amount of the investment being projected to be below the Company investment, and the management has provided the impairment based on the shortfall.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2020

14. INVESTMENT IN SUBSIDIARIES (CONT'D)

Name	Principal activities	Country of incorporation	Ownership interest held by the Company 2020 %	Ownership interest held by the Company 2019 %	Cost of investment 2020 $'000	Cost of investment 2019 $'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[(4)]	Provision of project management services	Singapore	100	100	500	500
Pelican Ship Management Servies 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	–	1,927	–
					34,403	32,476

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2020

14. INVESTMENT IN SUBSIDIARIES (CONT'D)

Name	Principal activities	Country of incorporation	Ownership interest held by subsidiaries 2020 %	2019 %
Held through subsidiaries				
PKS Shipyard Pte Ltd[1]	Investment holding	Singapore	100	100
PT Kim Seah Shipyard Indonesia[2]	Builders of Flex crewboats, passenger ferries and launches and provision of related repairs and maintenance services	Indonesia	100	100
POS Grace Pte Ltd[4]	Management and operation of Flex crewboats	Singapore	100	100
Pelican Offshore Malaysia Corp[2] [3]	Management and operation of Flex crewboats	Malaysia	49	49
Flex Fleet Sdn Bhd[2]	Management and operation of Flex crewboats	Malaysia	100	100
POS Victory Pte Ltd[1]	Management and operation of fast supply intervention	Singapore	100	100
POS Glow Pte Ltd[4]	Management and operation of Flex crewboats	Singapore	100	100
Penguin Transporter Pte Ltd[1]	Management and operation of Landing Craft	Singapore	100	100
Victory Marine Services Sdn Bhd [2]	Dormant	Malaysia	70	70

(1) Audited by PKF-CAP LLP, Singapore.

(2) Audited by member firms of PKF International.

(3) The Group consolidates 100% of the results of Pelican Offshore Malaysia Corp ("POMC") as it controls and has beneficial interest in all of POMC's results and operations.

(4) Not required to be audited under the law of country of incorporation.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2020

15. OTHER INVESTMENTS

	Group 2020 $'000	Group 2019 $'000	Company 2020 $'000	Company 2019 $'000
Unquoted equity shares	287	287	287	287
Impairment losses	(287)	(287)	(287)	(287)
	–	–	–	–
Quoted equity shares	8,000	8,000	8,000	8,000
Changes in fair value of equity investment at FVOCI	(3,900)	(2,443)	(3,900)	(2,443)
Issue of Management Award Shares as per the investment agreement with respect to Marco Polo Marine Limited	(943)	(400)	(943)	(400)
	3,157	5,157	3,157	5,157
Total other investments	3,157	5,157	3,157	5,157

	Group 2020 $'000	Group 2019 $'000	Company 2020 $'000	Company 2019 $'000
Movements in quoted equity shares:				
As at 1 January	5,157	5,157	5,157	5,157
Changes in fair value of equity investment at FVOCI	(1,457)	–	(1,457)	–
Issue of Management Award Shares as per the investment agreement with respect to Marco Polo Marine Limited	(543)	–	(543)	–
As at 31 December	3,157	5,157	3,157	5,157

As at 31 December 2019, the criteria to grant the second and third tranche of Management Award Shares for the purposes of the Marco Polo Marine Ltd's management share award plan have been met and the provision has been made in Note 23 Other payables and accruals. The amount of Management Award Shares of $543,000 was subsequently issued in 2020.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2020

16. INTANGIBLE ASSET

	Goodwill $'000
Group	
Cost	
At 1 January 2019, 31 December 2019, 1 January 2020 and 31 December 2020	291
Accumulated impairment loss	
At 1 January 2019, 31 December 2019, 1 January 2020 and 31 December 2020	(213)
Net carrying amount	
At 31 December 2019 and 31 December 2020	78

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 2020 and 31 December 2019.

17. INVENTORIES

	Group	
	2020 $'000	2019 $'000
Balance sheet:		
Parts and spares (at lower of cost or net realisable value)	870	662
Work-in-progress (at lower of cost or net realisable value)	56,474	41,346
	57,344	42,008
Income statement:		
Inventories recognised as an expense in cost of sales (Note 10)	(75,918)	(85,509)
Reversal of impairment loss/ (Impairment loss) on inventory recognised in other operating expenses (Note 7)	20	(530)

During the year, reversal of impairment loss on inventory amounting to $20,000 pertains to reversal of impairment made on a vessel which was damaged and impaired in 2019 for $530,000, as the parts were deemed useable on another vessel.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2020

18. TRADE RECEIVABLES

	Group		Company	
	2020	2019 Reclassification	2020	2019
	$'000	$'000	$'000	$'000
Trade receivables	11,621	14,330	1,798	1,906
Allowance for impairment loss	(1,501)	(1,191)	–	–
	10,120	13,139	1,798	1,906

Trade receivables are generally on 30 days' term and are non-interest bearing. They are recognised at original invoice amounts which represent their fair values on initial recognition.

Receivables that are past due but not impaired

The Group and Company have trade receivables amounting to $7,485,000 (2019: $8,212,000) and $250,000 (2019: $395,000) 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	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Less than 30 days	4,042	162	235	162
30 to 60 days	1,493	2,454	13	–
61 to 90 days	1,507	1,795	2	232
91 to 365 days	443	3,801	–	1
	7,485	8,212	250	395

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2020

18. TRADE RECEIVABLES (CONT'D)

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	
	2020	2019
	$'000	$'000
Trade receivables	1,501	1,191
Less: Allowance for impairment loss	(1,501)	(1,191)
	–	–
Movement in allowance account:		
At 1 January	1,191	1,340
Charge/ (credit) to the profit or loss account	321	(141)
Written off	–	(2)
Exchange difference	(11)	(6)
At 31 December	1,501	1,191

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 additional charge to the profit or loss account of $321,000 is provided for a debtor that have defaulted on payments and the management has provided an allowance for. In 2019, the credit to the profit or loss account of $141,000 relates to a reversal of previously made allowance due to full payment received from the debtor.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2020

19. OTHER RECEIVABLES AND DEPOSITS

	Group		Company	
	2020	2019 Reclassification	2020	2019
	$'000	$'000	$'000	$'000
Current:				
Financial assets				
Other receivables	4,456	4,660	96	39
Deposits	507	558	267	274
Insurance claims	906	695	–	156
	5,869	5,913	363	469
Non-financial assets				
Advance payment to suppliers	6,232	8,051	–	–
Deposits	17	40	–	–
Other receivables	574	465	–	18
	6,823	8,556	–	18
Total current other receivables and deposits	12,692	14,469	363	487
Non-current:				
Financial assets				
Other receivables	2,345	124	–	–
Total other receivables and deposits	15,037	14,128	363	487

Included in the Group's current other receivables and non-current other receivables is an amount of $3,600,000 (2019: $4,131,000) and $2,345,000 (2019: $124,000) respectively which pertains to sale of vessels (property, plant and equipment) under deferred payment arrangement which will end between 2021 and 2023.

Of the entire deferred payment arrangement, $3,130,000 (2019: $NIL) is secured against fleet vessel sold. The deferred payment arrangement bears interests ranging from 4.35% to 6.30% (2019: 4.35% to 6.30%) and are repayable through monthly instalments.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2020

20. LOANS TO SUBSIDIARIES/ DEPOSITS FROM SUBSIDIARIES

	Company	
	2020	2019
	$'000	$'000
Loan to a subsidiary (non-current)	70,837	70,837
Loans to subsidiaries (current)	34,886	24,330
Deposits from subsidiaries (current)	(8,896)	(11,724)

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 2.25% to 3.68% (2019: 3.24% to 3.39%) 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 2.25% to 3.68% (2019: 3.24% to 3.39%) per annum and are repayable on demand. Included in loan to subsidiaries (current) of the Company is $546,000 (2019: $836,000) denominated in United States Dollar.

Loans to subsidiaries (current) are stated after deducting an allowance for impairment loss of $33,009,000 (2019: $33,572,000).

	Company	
	2020	2019
	$'000	$'000
Movement in allowance account:		
At 1 January	33,572	33,413
Charge to the profit or loss account	–	3,059
Reversal of over provision in prior years	(563)	(2,900)
At 31 December	33,009	33,572

Deposits from subsidiaries are unsecured, bear interest of 0.20% to 1.59% (2019: 1.44% to 2.28%) per annum and are repayable on demand. Included in deposits from subsidiaries of the Company is $NIL (2019: $8,474,000) denominated in United States Dollar.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2020

21. CASH AND BANK BALANCES AND FIXED DEPOSITS

	Group		Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Cash and bank balances	35,775	25,018	7,175	1,098
Fixed deposits	4,201	34,885	–	10,227
	39,976	59,903	7,175	11,325

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 (2019: 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 1.70% (2019: 0.4% to 2.4%) per annum.

Bank balances and fixed deposits of $4,636,000 (2019: $2,753,000) 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	
	2020	2019
	$'000	$'000
Cash and bank balances (excluding pledged bank balances)	35,302	24,730
Fixed deposits (excluding pledged fixed deposits)	38	32,420
Cash and cash equivalents	35,340	57,150

22. TRADE PAYABLES

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2020

23. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2020	2019	2020	2019 Reclassification
	$'000	$'000	$'000	$'000
Financial liabilities				
Accrued operating expenses	13,855	20,902	2,157	2,726
Advance billings	–	3	–	–
Other payables	1,211	2,081	171	282
	15,066	22,986	2,328	3,008
Non-financial liabilities				
Advance payments and deposits received (non-refundable)	7,243	14,557	–	–
Total other payables and accruals	22,309	37,543	2,328	3,008

Included in other payables is an amount of $NIL (2019: $543,000) which pertains to issue of Management Award Shares as per the investment agreement with respect to Marco Polo Marine Limited.

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

24. PROVISIONS

	Group		Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Current:				
Provision for warranty claims	483	522	–	193
Non-current:				
Provision for restoration cost	1,604	1,604	1,604	1,604
Provision for employee retirement benefits	161	122	–	–
	1,765	1,726	1,604	1,604

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2020

24. PROVISIONS (CONT'D)

Provision for warranty claims

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

	Group	
	2020	2019
	$'000	$'000
At 1 January	522	196
Additions during the year	616	649
Reversals during the year	(284)	(166)
Utilisation during the year	(371)	(157)
At 31 December	483	522

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 lands to their original condition. The provision amount was determined by management based on recent quotations from contractors. 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 2020, as determined by an independent actuary.

(a) Defined retirement benefits expense recognised in profit or loss comprises the following:

	Group	
	2020	2019
	$'000	$'000
Current service cost	42	31
Interest cost	3	2
Total defined retirement benefits expense	45	33
Presented in profit or loss as:		
Cost of sales	45	33

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2020

24. PROVISIONS (CONT'D)

Provision for employee retirement benefits (cont'd)

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

	Group	
	2020	**2019**
	$'000	**$'000**
Present value of employee benefits obligation	161	122

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

	Group	
	2020	**2019**
Retirement age	55	55
Discount rate	7%	8%
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	
	2020	**2019**
	$'000	**$'000**
At 1 January	122	89
Provision made during the year	45	33
Translation	(6)	–
At 31 December	161	122

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2020

25. CONTRACT BALANCES

	Group		Company	
	2020	**2019**	**2020**	**2019**
	$'000	**$'000**	**$'000**	**$'000**
Contract assets	1,695	3,268	–	156
Contract liabilities	(776)	(1,042)	(428)	(93)

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

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

	Group		Company	
	Contract liabilities		Contract liabilities	
	2020	**2019**	**2020**	**2019**
	$'000	**$'000**	**$'000**	**$'000**
Revenue recognised that was included in the contract liability balance at the beginning of the year	1,042	4,715	93	–

	Group		Company	
	Contract assets		Contract assets	
	2020	**2019**	**2020**	**2019**
	$'000	**$'000**	**$'000**	**$'000**
Contract asset reclassified to trade receivables	3,268	14,812	156	6,504

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2020

26. TERM LOANS

	Group 2020 $'000	Group 2019 $'000
Current:		
Bank loan I	–	83
Bank loan II (unsecured)	958	–
Non-current:		
Bank loan II (unsecured)	3,497	–
Total bank loan	4,455	83

Bank loan I

This loan bears interest of 4.25% (2019: 4.24% to 4.39%) and is repayable through monthly instalments and was fully repaid during the year.

Bank loan II

This loan bears interest of 3% (2019: NIL) and is repayable through monthly instalments.

Reconciliation of liabilities arising from financing activities

	1 January 2020 $'000	Financing cash flows $'000	31 December 2020 $'000
Term loan	83	4,372	4,455

	1 January 2019 $'000	Financing cash flows $'000	31 December 2019 $'000
Term loan	1,083	(1,000)	83

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2020

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 $'000	Company $'000
At 1 January 2020	2,253	1,653
Additions	8,446	–
Lease modification	4	(42)
Depreciation	(1,719)	(884)
At 31 December 2020	8,984	727

	Group $'000	Company $'000
At 1 January 2019	1,190	1,032
Additions	1,897	1,151
Depreciation	(834)	(530)
At 31 December 2019	2,253	1,653

(b) ***Lease liabilities***

Reconciliation of liabilities arising from financing activities

	1 January 2020	Financing Cash flows	Group Non-cash changes			31 December 2020
			Pre-acquisition	Modification	Additions	
	$'000	$'000	$'000	$'000	$'000	$'000
Lease liabilities						
- current	1,292	(1,467)	(172)	4	1,693	1,350
- non-current	1,030	–	–	–	6,753	7,783
	2,322	(1,467)	(172)	4	8,446	9,133

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2020

27. LEASES (CONT'D)

(b) ***Lease liabilities (cont'd)***

Reconciliation of liabilities arising from financing activities

	1 January 2019	Financing Cash flows	Group Non-cash changes Additions	31 December 2019
	$'000	$'000	$'000	$'000
Lease liabilities				
- current	540	(765)	1,517	1,292
- non-current	650	–	380	1,030
	1,190	(765)	1,897	2,322

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

(c) ***Amounts recognised in profit or loss***

	Group 2020 $'000	Company 2020 $'000
Depreciation of right-of-use assets	1,547	884
Interest expense on lease liabilities	134	52
Lease expense not capitalised in lease liabilities:		
Expense relating to low-value and short-term leases		
- included in cost of sales	72	–
- included in administrative expenses	378	–
Total amount recognised in profit or loss	2,131	936

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2020

27. LEASES (CONT'D)

(c) ***Amounts recognised in profit or loss (cont'd)***

	Group 2019 $'000	Company 2019 $'000
Depreciation of right-of-use assets	834	530
Interest expense on lease liabilities	60	41
Lease expense not capitalised in lease liabilities:		
Expense relating to low-value and short-term leases		
- included in cost of sales	291	–
- included in administrative expenses	61	–
Total amount recognised in profit or loss	1,246	571

(d) ***Total cash outflow***

The Group had total cash outflows for leases of $2,051,000 in 2020 (2019: $1,177,000).

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	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Capital commitments in respect of property, plant and equipment	14,116	5,659	10,480	–

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2020

28. COMMITMENTS (CONT'D)

(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	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Commitments in respect of shipbuilding costs	29,285	32,972	–	–

(c) ***Continuing financial support***

The Company has undertaken to provide continuing financial support to thirteen (2019: 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 2020 financial statements. The subsidiaries are Penguin Marine Offshore Services Pte Ltd, Penguin Marine Services Pte Ltd, PKS Shipyard Pte Ltd, Pelican Ship Management Services 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 and Swissco Offshore (Pte.) Ltd.

29. DEFERRED TAX LIABILITIES

	Group				Company	
	Consolidated balance sheet		Consolidated income statement		Balance sheet	
	2020	2019	2020	2019	2020	2019
	$'000	$'000	$'000	$'000	$'000	$'000
Deferred tax liabilities						
Differences in depreciation	(2,219)	(2,075)	(143)	109	(132)	(568)

During the year, four subsidiaries (2019: one subsidiary) transferred $5,214,000 (2019: $2,042,000) of its current year tax losses and capital allowances to be deducted against the assessable income of the company and one subsidiary (2019: one subsidiary) 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 $886,000 (2019: $347,000).

At the balance sheet date, the Group has unutilised tax losses and capital allowances of approximately $6,798,000 (2019: $18,125,000) 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 except for amount of $6,450,000 (2019: $18,125,000) which will expire in 2025 (2019: 2025).

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2020

29. DEFERRED TAX LIABILITIES (CONT'D)

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 (2019: $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 $11,353,000 (2019: $8,671,000).

30. SHARE CAPITAL

	Group and Company			
	2020		2019	
	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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2020

31. OTHER RESERVES

	Group 2020 $'000	Group 2019 $'000	Company 2020 $'000	Company 2019 $'000
Foreign currency translation reserve	(7,649)	(6,693)	–	–
Fair value reserve	(4,843)	(3,386)	(4,843)	(3,386)
	(12,492)	(10,079)	(4,843)	(3,386)

(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 2020 $'000	Group 2019 $'000
At 1 January	(6,693)	(6,053)
Net effect of exchange differences arising from quasi capital loan to subsidiaries[1]	(921)	(524)
Net effect of exchange differences arising from translation of financial statements of foreign operations	(35)	(116)
At 31 December	(7,649)	(6,693)

[1] This relates to quasi capital loan within the Group.

(b) ***Fair value reserve***

	Group and Company 2020 $'000	Group and Company 2019 $'000
At 1 January	(3,386)	(2,843)
Issue of Management Award Shares as per the investment agreement with respect to Marco Polo Marine Limited	–	(543)
Change in fair value of equity investment at FVOCI	(1,457)	–
At 31 December	(4,843)	(3,386)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2020

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 Related parties 2020 $'000	Group Related parties 2019 $'000	Company Subsidiaries 2020 $'000	Company Subsidiaries 2019 $'000
Income				
Charter hire fee income	53	2	40	239
Commission income	–	–	285	190
Management fee income	–	–	2,470	2,270
Interest income	–	–	2,603	3,089
Rental income	1	1	2,065	1,921
Sale of inventory	–	–	–	3
Dividend income	–	–	6,000	7,900
Wharfage charges	37	5	–	–
Fabrication of gangway	3	–	–	–
Expense				
Ship building costs	–	–	–	(3,049)
Project management cost	–	–	(3,178)	(2,120)
Interest expense	–	–	(180)	(430)
Ship management expense	–	–	(245)	(255)
Ship repair cost	–	–	(287)	(551)
Charter hire expense	–	–	(10)	(232)
Vessel maintenance cost	–	–	(2,195)	(1,449)
Others				
Disposal of property, plant and equipment	–	–	1	–
Purchase of property, plant and equipment	(18)	–	–	–

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2020

32. RELATED PARTY TRANSACTIONS (CONT'D)

(b) ***Compensation of key management personnel***

	Company	
	2020	2019
	$'000	$'000
Short-term employee benefits expense	2,630	3,121
Central Provident Fund contributions	128	150
	2,758	3,271
Comprise amounts paid to:		
Directors of the Company	1,823	1,985
Other key management personnel	935	1,286
	2,758	3,271

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

33. GUARANTEES

(a) The Group and Company had outstanding bank guarantees amounting to approximately $16,790,000 (2019: $8,369,000) and $13,742,000 (2019: $1,054,000) respectively, in respect of the performance of charter-hire and shipbuilding contracts (2019: charter-hire and shipbuilding contracts).

(b) The Company has provided corporate guarantees amounting to $NIL (2019: $9,912,000) to banks in respect of loan and other banking facilities undertaken by subsidiaries of which the outstanding balances at the end of the reporting period amounted to $NIL (2019: $83,000).

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:

(a) The chartering segment provides chartering of motor launches.

(b) 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 2020

34. SEGMENT INFORMATION (CONT'D)

	Chartering		Shipbuilding, ship repairs and maintenance		Adjustments and eliminations		Notes	Total	
	2020	2019	2020	2019	2020	2019		2020	2019
	$'000	$'000	$'000	$'000	$'000	$'000		$'000	$'000
Revenue:									
Sales to external customers	21,674	27,920	97,743	108,417	–	–		119,417	136,337
Inter-segment sales	226	326	13,342	26,700	(13,568)	(27,026)	A	–	–
Total revenue	21,900	28,246	111,085	135,117	(13,568)	(27,026)		119,417	136,337
Results:									
Interest income	366	424	302	781	(259)	(224)	B	409	981
Dividend income	6,000	6,000	–	–	(6,000)	(6,000)		–	–
Depreciation	(7,580)	(8,007)	(2,348)	(1,649)	(481)	(390)	B	(10,409)	(10,046)
Impairment on property, plant and equipment and inventory	–	–	–	(530)	–	–		–	(530)
Reversal of impairment on property, plant and equipment and inventory	–	–	20	–	–	–		20	–
Financial expenses	(224)	(311)	(298)	(41)	259	224	B	(263)	(128)
Other non-cash expenses	–	(141)	1,061	(1,830)	(1,400)	1,839		(339)	(132)
Segment profit before tax	9,296	13,942	11,846	13,240	(5,778)	(7,221)	C	15,364	19,961

The following table presents assets, liabilities and other segment information regarding the Group's business segments for the years ended 31 December 2020 and 2019:

	Chartering		Shipbuilding, ship repairs and maintenance		Discontinued operation		Adjustments and eliminations		Notes	Total	
	2020	2019	2020	2019	2020	2019	2020	2019		2020	2019
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000		$'000	$'000
Assets and liabilities:											
Additions to non-current assets	30,975	28,746	8,771	4,190	–	–	(230)	(10,647)	D	39,516	22,289
Goodwill	–	–	78	78	–	–	–	–		78	78
Segment assets	112,690	127,935	145,892	118,375	367	367	(21,698)	(16,205)	E	237,251	230,472
Segment liabilities	13,629	16,618	58,466	50,816	–	–	(9,479)	(4,656)	F	62,616	62,778

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2020

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:

	2020 $'000	2019 $'000
From inter-segment transactions	(4,380)	(5,635)
Unallocated expenses	(1,398)	(1,586)
	(5,778)	(7,221)

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:

	2020 $'000	2019 $'000
Inter-segment assets	(23,000)	(18,815)
Unallocated assets	1,302	2,610
	(21,698)	(16,205)

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:

	2020 $'000	2019 $'000
Inter-segment liabilities	(11,215)	(6,828)
Deferred tax liabilities	132	568
Provision for restoration cost	1,604	1,604
	(9,479)	(4,656)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2020

34. SEGMENT INFORMATION (CONT'D)

Geographical information

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

	Chartering		Shipbuilding, ship repairs and maintenance		Total	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Singapore	3,723	4,395	2,502	17,918	6,225	22,313
Rest of Southeast Asia	17,855	23,525	42	75	17,897	23,600
Africa	96	–	62,142	76,914	62,238	76,914
Taiwan	–	–	15,543	782	15,543	782
Europe	–	–	5,805	–	5,805	–
Others	–	–	11,709	12,728	11,709	12,728
	21,674	27,920	97,743	108,417	119,417	136,337

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 four (2019: three) major customers amounted to $47,700,000 (2019: $63,727,000), arising from chartering and shipbuilding, ship repairs and maintenance (2019: chartering and shipbuilding, ship repairs and maintenance) segments.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2020

35. DIVIDENDS

Paid during the financial year

Dividends on ordinary shares:

	Group and Company	
	2020	2019
	$'000	$'000
- Final exempt (one-tier) dividend for 2019: 1.75 cents per share (2018: 1.25 cents) per share	3,853	2,752

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	
	2020	2019
	$'000	$'000
- Final exempt (one-tier) dividend for 2020: NIL cents (2019: 1.75 cents) per share	–	3,853

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2020

36. FAIR VALUE OF FINANCIAL INSTRUMENTS

(a) ***Classification of financial instruments***

	Financial assets at amortised cost	Financial assets at fair value through other comprehensive income	Financial liabilities at amortised cost	Total
	$'000	$'000	$'000	$'000
Group				
2020				
Assets				
Other investments	–	3,157	–	3,157
Trade receivables	10,120	–	–	10,120
Other receivables and deposits	8,214	–	–	8,214
Contract assets	1,695	–	–	1,695
Fixed deposits	4,201	–	–	4,201
Cash and bank balances	35,775	–	–	35,775
	60,005	3,157	–	63,162
Liabilities				
Trade payables	–	–	18,767	18,767
Other payables and accruals	–	–	15,066	15,066
Term loan	–	–	4,455	4,455
Lease liabilities	–	–	9,133	9,133
	–	–	47,421	47,421
2019				
Assets				
Other investments	–	5,157	–	5,157
Trade receivables	13,139	–	–	13,139
Other receivables and deposits	6,037	–	–	6,037
Contract assets	3,268	–	–	3,268
Fixed deposits	34,885	–	–	34,885
Cash and bank balances	25,018	–	–	25,018
	82,347	5,157	–	87,504
Liabilities				
Trade payables	–	–	16,038	16,038
Other payables and accruals	–	–	22,986	22,986
Term loan	–	–	83	83
Lease liabilities	–	–	2,322	2,322
	–	–	41,429	41,429

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2020

36. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D)

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

	Financial assets at amortised cost	Financial assets at fair value through other comprehensive income	Financial liabilities at amortised cost	Total
	$'000	$'000	$'000	$'000
Company				
2020				
Assets				
Other investments	–	3,157	–	3,157
Trade receivables	1,798	–	–	1,798
Other receivables and deposits	363	–	–	363
Loans to subsidiaries	105,723	–	–	105,723
Cash and bank balances	7,175	–	–	7,175
	115,059	3,157	–	118,216
Liabilities				
Other payables and accruals	–	–	2,291	2,291
Deposits from subsidiaries	–	–	8,896	8,896
Lease liabilities	–	–	765	765
Term loan	–	–	4,455	4,455
	–	–	16,407	16,407
2019				
Assets				
Other investments	–	5,157	–	5,157
Trade receivables	1,906	–	–	1,906
Other receivables and deposits	469	–	–	469
Loans to subsidiaries	95,167	–	–	95,167
Fixed deposits	10,227	–	–	10,227
Cash and bank balances	1,098	–	–	1,098
	108,867	5,157	–	114,024
Liabilities				
Trade payables	–	–	193	193
Other payables and accruals	–	–	2,982	2,982
Deposits from subsidiaries	–	–	11,724	11,724
Lease liabilities	–	–	1,688	1,688
	–	–	16,587	16,587

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2020

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 2020, the Group has investment in quoted equity security representing Level 1 financial asset which is carried at fair value amount of $3,157,000 (2019: $5,157,000). 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2020

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.

(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:

	Group			
	2020		2019	
	$'000	%	$'000	%
By country:				
Singapore	2,365	14	2,121	12
Malaysia	5,629	33	11,300	63
Rest of Southeast Asia	3,080	18	3,229	18
Africa	1,258	8	–	–
Australia	1,585	10	643	4
Taiwan	2,588	15	–	–
Others	416	2	630	3
	16,921	100	17,923	100
By industry sectors:				
Chartering	10,821	64	15,991	89
Shipbuilding, repairs and maintenance	6,100	36	1,932	11
	16,921	100	17,923	100

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2020

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(a) ***Credit risk (cont'd)***

At the end of the reporting period:

Approximately 63% (2019: 84%) of the Group's trade receivables were due from three (2019: three) major customers consisting of multi-industry conglomerates located in various countries.

Approximately 95% (2019: 98%) of the Company's trade receivables were due from two (2019: 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2020

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				
2020				
Financial liabilities				
Trade payables	18,767	–	–	18,767
Other payables and accruals	15,066	–	–	15,066
Term loan	1,078	3,684	–	4,762
Lease liabilities	1,638	2,575	6,757	10,970
Total undiscounted financial liabilities	36,549	6,259	6,757	49,565
2019				
Financial liabilities				
Trade payables	16,038	–	–	16,038
Other payables and accruals	22,986	–	–	22,986
Term loan	84	–	–	84
Lease liabilities	1,417	1,067	–	2,484
Total undiscounted financial liabilities	40,525	1,067	–	41,592
Company				
2020				
Financial liabilities				
Other payables and accruals	2,291	–	–	2,291
Deposits from subsidiaries	8,976	–	–	8,976
Term loan	1,078	3,684		4,762
Lease liabilities	777	–	–	777
Total undiscounted financial liabilities	13,122	3,684	–	16,806
2019				
Financial liabilities				
Trade payables	193	–	–	193
Other payables and accruals	2,982	–	–	2,982
Deposits from subsidiaries	11,942	–	–	11,942
Lease liabilities	951	807	–	1,758
Total undiscounted financial liabilities	16,068	807	–	16,875

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2020

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") and Australian Dollar ("AUD").

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 $29,111,000 (2019: $44,459,000) and $3,585,000 (2019: $7,195,000) 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 and AUD exchange rates (against SGD), with all other variables held constant, of the Group's profit/(loss) before tax.

	Increase/ (decrease) in profit before tax 2020 $'000	Increase/ (decrease) in profit before tax 2019 $'000
USD/SGD – strengthened 3% (2019: 3%)	423	143
USD/SGD – weakened 3% (2019: 3%)	(423)	(143)
AUD/SGD – strengthened 3% (2019: 3%)	99	352
AUD/SGD – weakened 3% (2019: 3%)	(99)	(352)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2020

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(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 $158,000 higher/lower, arising as a result of an increase/ decrease in the fair value of equity securities classified as other investments.

(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 loan 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 2020 $'000	**Increase/ (decrease) in profit before tax 2019 $'000**
Increase in 100 basis points	23	6
Decrease in 100 basis points	(23)	(6)

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2020

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 2020 and 31 December 2019.

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. EVENTS OCCURRING AFTER THE REPORTING PERIOD

(a) Covid-19

The novel coronavirus (COVID-19) outbreak and unprecedented measures taken by governments around the world to contain the spread of the pandemic have created a high level of uncertainty to global economic prospects and continue to cause major damage to economies across the world as of the date of approval of these financial statements by the Directors.

Shipbuilding, ship repair and maintenance

In Singapore, the Group is designated as an essential services provider. Hence, the Group's shipyard in Tuas remained open and operational throughout the Singapore government's "Circuit Breaker" lock-down period in FY2020. The Group also continued to provide essential ship management and ship repair services to Singapore government entities. In FY2020, all of the Group's existing shipbuilding contracts were fulfilled to the satisfaction of its clients, with no incident of contractual dispute or default. However, new orders and stock sales have been impacted by the pandemic. The hardest-hit segments are passenger ferries and offshore crewboats.

Chartering

The Group's offshore crewboats, which support the oil and gas industry, experienced a decline in utilisation and charter rates in FY2020 due to plunging oil prices during the pandemic.

Notwithstanding global vaccination campaigns, it remains difficult to predict the pandemic's lingering impact on the global economy and consumer sentiment. The Group will continue to monitor its key shipbuilding and chartering markets as part of its risk management activities.

(b) Voluntary conditional cash offer

On 21 January 2021, W Capital Markets Pte Ltd, as Financial Adviser to and acting on behalf of Emet Grace Ltd - a company owned by the Group's Chairman, Managing Director and a private investment group - made a voluntary conditional cash offer for all the issued and paid-up ordinary shares in the capital of Penguin International Limited that were not already held by the Group's Chairman and Managing Director.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2020

40. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the year ended 31 December 2020 were authorised for issue in accordance with a resolution of the Directors on 24 March 2021.

STATISTICS OF SHAREHOLDINGS

As at 9 April 2021

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	145	5.35	6,881	0.00
100 - 1,000	1,269	46.79	597,380	0.27
1,001 - 10,000	836	30.82	4,124,435	1.88
10,001 - 1,000,000	452	16.67	22,941,788	10.42
1,000,001 AND ABOVE	10	0.37	192,499,290	87.43
TOTAL	**2,712**	**100.00**	**220,169,774**	**100.00**

TWENTY LARGEST SHAREHOLDERS

No.	Name	No. of Shares	%
1	RAFFLES NOMINEES (PTE.) LIMITED	171,876,943	78.07
2	DBS NOMINEES (PRIVATE) LIMITED	7,129,872	3.24
3	PHILLIP SECURITIES PTE LTD	2,188,595	0.99
4	OCBC SECURITIES PRIVATE LIMITED	2,136,265	0.97
5	UOB KAY HIAN PRIVATE LIMITED	2,122,166	0.96
6	CITIBANK NOMINEES SINGAPORE PTE LTD	1,917,535	0.87
7	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	1,356,515	0.62
8	NG KWONG CHONG OR LIU OI FUI IVY	1,336,666	0.61
9	ONG SHYH CHANG	1,333,333	0.61
10	TEO JIA HAO	1,101,400	0.50
11	CHEE SEE GIAP @ SIN CHIEN	910,599	0.41
12	NG KIM GUAT	656,666	0.30
13	PHUA TIONG BENG	594,166	0.27
14	LIM SOON TECK	550,000	0.25
15	TAN KOK CHING	500,000	0.23
16	IFAST FINANCIAL PTE. LTD.	444,799	0.20
17	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	412,368	0.19
18	CHEONG KIT CHONG	400,000	0.18
19	GUAN GUAN INVESTMENTS PTE LTD	320,000	0.15
20	THIO MA LANG	306,000	0.14
	Total	**197,593,888**	**89.76**

STATISTICS OF SHAREHOLDINGS (CONT'D)

As at 9 April 2021

PERCENTAGE OF SHAREHOLDINGS HELD BY THE PUBLIC AS AT 9 APRIL 2021

Based on the Register of Members as of 9 April 2021 and to the best knowledge of the Company, the percentage of shareholdings held in the hands of the public as of 9 April 2021 is approximately 21.85%. Accordingly, the Company complies with Rule 723 of the Listing Manual.

The information above has been extracted from the CDP's reports and Register of Members as of 9 April 2021. Please note that such information may not reflect the latest shareholding information because as stated in the offer document dated 10 February 2021 (the "**Offer Document**") issued by W Capital Markets Pte. Ltd. ("**WCM**") for and on behalf of Emet Grace Ltd. ("**EG**"), a general offer for all the issued and paid-up ordinary shares in the capital of the Company (other than those held, directly or indirectly, by EG on as at 21 January 2021) ("**Shares**") (the "**Offer**") has been made by EG. As announced by WCM for and on behalf of EG on 6 April 2021, the final closing date of the Offer is 5.30 p.m. (Singapore time) on 21 April 2021 and EG does not intend to extend the Offer beyond such date. For completeness:

(a) *as stated in the Offer Document, the shareholders of EG are Fairy L.P. (acting by its general partner, Fairy Ltd.) (the "**Sponsor**"), Mr. Jeffrey Hing Yih Peir, and Mr. James Tham Tuck Choong who hold 40%, 55% and 5% respectively. The Sponsor is a special purpose vehicle which is wholly-owned by Dymon Asia Private Equity (S.E. Asia) II Ltd. (as general partner for and on behalf of Dymon Asia Private Equity (S.E. Asia) Fund II, L.P.); and*

(b) as stated in the announcement dated 9 April 2021 issued by WCM for and on behalf of EG, EG has received valid acceptances amounting to 135,378,610 Shares, representing approximately 61.49% of the total number of Shares in the Company as at 6.00 p.m. (Singapore time) on 9 April 2021, and accordingly the total number of (i) Shares owned, controlled or agreed to be acquired by EG and persons acting in concert with it and (ii) valid acceptances of the Offer, amount to an aggregate of 172,058,310 Shares, representing approximately 78.15% of the total number of Shares in the Company as at 6.00 p.m. (Singapore time) on 9 April 2021.

LIST OF SUBSTANTIAL SHAREHOLDERS

As at 9 April 2021

	Direct Interest		Deemed Interest	
Name of Substantial Shareholder	**No. of Shares**	**%**	**No. of Shares**	**%**
NIL [1]				

Notes:

*(1) The information above has been extracted from the Register of Substantial Shareholders as of 9 April 2021. Please note that such information may not reflect the latest shareholding information because as stated in the offer document dated 10 February 2021 (the "**Offer Document**") issued by W Capital Markets Pte. Ltd. ("**WCM**") for and on behalf of Emet Grace Ltd. ("**EG**"), a general offer for all the issued and paid-up ordinary shares in the capital of the Company (other than those held, directly or indirectly, by EG as at 21 January 2021) ("**Shares**") (the "**Offer**") has been made by EG. As announced by WCM for and on behalf of EG on 6 April 2021, the final closing date of the Offer is 5.30 p.m. (Singapore time) on 21 April 2021 and EG does not intend to extend the Offer beyond such date. For completeness:*

*(a) as stated in the Offer Document, the shareholders of EG are Fairy L.P. (acting by its general partner, Fairy Ltd.) (the "**Sponsor**"), Mr. Jeffrey Hing Yih Peir, and Mr. James Tham Tuck Choong who hold 40%, 55% and 5% respectively. The Sponsor is a special purpose vehicle which is wholly-owned by Dymon Asia Private Equity (S.E. Asia) II Ltd. (as general partner for and on behalf of Dymon Asia Private Equity (S.E. Asia) Fund II, L.P.); and*

(b) as stated in the announcement dated 9 April 2021 issued by WCM for and on behalf of EG, EG has received valid acceptances amounting to 135,378,610 Shares, representing approximately 61.49% of the total number of Shares in the Company as at 6.00 p.m. (Singapore time) on 9 April 2021, and accordingly the total number of (i) Shares owned, controlled or agreed to be acquired by EG and persons acting in concert with it and (ii) valid acceptances of the Offer, amount to an aggregate of 172,058,310 Shares, representing approximately 78.15% of the total number of Shares in the Company as at 6.00 p.m. (Singapore time) on 9 April 2021.

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

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 2021 Annual General Meeting of Penguin International Limited (the "**Company**") will be held by way of electronic means on Thursday, 29 April 2021 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 2020 and the Auditor's Report thereon. **Resolution 1**
2. To approve the payment of Directors' fees of S$184,000.00 for the financial year ended 31 December 2020. (2019: S$184,000.00). **Resolution 2**
3. To record the retirement of Mr Ong Kian Min as Director under Regulation 92 of the Company's Constitution at the conclusion of the Annual General Meeting. *[See Explanatory Note (a)]*
4. To record the retirement of Mr Paul Tan Poh Lee as Director under Regulation 92 of the Company's Constitution at the conclusion of the Annual General Meeting. *[See Explanatory Note (b)]*
5. To approve the appointment of Mr Winston Kwek Choon Lin as a Director of the Company. *[See Explanatory Note (c)]* **Resolution 3**
6. 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 4**

SPECIAL BUSINESS

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

7. Share Issue Mandate **Resolution 5**

"That pursuant to Section 161 of the Companies Act, Cap. 50 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:

(a) (i) issue shares in the capital of the Company ("**Shares**") whether by way of bonus issue, rights issue or otherwise; and/or

(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

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

(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,

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:

(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;

and provided also that adjustments in accordance with (a) or (b) 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

(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." *[See Explanatory Note (d)]*

8. The Proposed Renewal of the Mandate for Interested Person Transactions **Resolution 6**

"That:

(a) approval be and is hereby given, for the purposes of Chapter 9 of the Listing Manual of the SGX-ST, for the Company, its subsidiaries and associated companies that are entities at risk (as that term is used in Chapter 9), or any of them, to enter into any of the transactions falling within the types of interested person transactions described in paragraph 2.3 of the Letter to Shareholders dated 14 April 2021 with the Interested Persons described in paragraph 2.1.1 of the Letter to Shareholders dated 14 April 2021, provided that such transactions are in accordance with the review procedures for such interested person transactions described in paragraph 2.8 of the Letter to Shareholders dated 14 April 2021;

(b) the approval given in paragraph (1) above (the "IPT Mandate") shall, unless revoked or varied by the Company in general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company;

(c) the Audit and Risk Committee of the Company be and is hereby authorised to take such action as it deems proper in respect of procedures and/or to modify or implement such procedures as may be necessary for this IPT Mandate (as defined in paragraph (2) above) to take into consideration any amendment to Chapter 9 of the Listing Manual which may be prescribed by the SGX-ST from time to time, and such other applicable laws and rules; and

(d) the Directors and any of them be and are hereby authorised to complete and do all such acts and things (including execution of all such documents as may be required) as they or he may consider expedient or necessary or in the interests of the Company to give effect to the transactions contemplated and/or authorised by the IPT Mandate and/or this Resolution." *[See Explanatory Note (e)]*

9. The Proposed Renewal of the Share Buy-back Mandate **Resolution 7**

"That:

(a) for the purposes of the Companies Act, Chapter 50 (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:-

(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 (f)]*

By Order Of The Board

Heng Michelle Fiona/Lo Swee Oi
Company Secretaries
14 April 2021

Explanatory Notes:

(a) Mr Ong Kian Min, who is retiring by rotation at the Annual General Meeting pursuant to Regulation 92 of the Company's Constitution, has expressed his intention to retire at the Annual General Meeting and will not be seeking re-election.Mr Ong will retire from the Board of Directors at the conclusion of the Annual General Meeting and will concurrently cease to be the Lead Independent Director, Chairman of the Audit and Risk Committee and a member of the Remuneration Committee and Nominating Committee.

(b) Mr Paul Tan Poh Lee, who is retiring by rotation at the Annual General Meeting pursuant to Regulation 92 of the Company's Constitution, has also expressed his intention to retire at the Annual General Meeting and will not be seeking re-election. Mr Tan will retire from the Board of Directors at the conclusion of the Annual General Meeting and will concurrently cease to be a member of the Audit and Risk Committee, a member of the Nominating Committee and Chairman of the Remuneration Committee.

(c) Detailed information pursuant to Rule 720(6) of the Listing Manual of the SGX-ST on Mr Winston Kwek Choon Lin can be found under the section entitled "Disclosure of Information on Director Seeking Appointment at AGM".

(d) The Ordinary Resolution No. 5, 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) Mr. Jeffrey Hing Yih Peir and his associates will abstain from voting on the proposed Ordinary Resolution No. 6 relating to the renewal of the general IPT Mandate. For the purpose of the abstention, the term "associates" as it relates to Mr. Jeffrey Hing Yih Peir is defined as (i) his immediate family, (ii) the trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and (iii) any company in which he and his immediate family together (directly or indirectly) have an interest of 30% or more.

(f) The Ordinary Resolution No. 7, 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 14 April 2021.

Notes:

1. 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. Printed copies of this Notice will not be sent to members. Instead, this Notice will be sent to members by electronic means via publication 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.

2. 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 Company will implement 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 audio-only means), submission of questions to the Chairman of the Meeting in advance of the AGM, addressing of substantial and relevant questions at the AGM and voting by appointing the Chairman of the AGM as proxy at the AGM.

3. Due to the current COVID-19 restriction orders in Singapore, a member will not be able to attend the AGM in person. Members may watch the AGM proceedings through a live webcast using their computers, tablets or mobile phones.

   The live webcast can be accessed through an online platform that will be provided to registered and authenticated members on the day before the AGM, and the web audio-only means can be accessed through **https://conveneagm.com/sg/penguin**

   To access the live webcast and the audio-only means, members need to register by no later than 26 April 2021, 10.30 a.m., being 72 hours before the time fixed for the AGM ("**Registration Deadline**") to enable the Company to verify their status. Authenticated members will receive an email a day before the AGM, containing unique user credentials and instructions on how to access the live audio-visual webcast and the audio-only stream of the AGM proceedings.

   Members can register by clicking on **https://conveneagm.com/sg/penguin** and we advise all members to register as early as possible. Members are advised to also check the Junk folder of their email in case the emails are directed there instead of Inbox. Members who registered by the Registration Deadline but do not receive an email response by 28 April 2021, 10.30 a.m. should immediately contact Convene **support@conveneagm.com**

4. **A member (whether individual or corporate) must appoint the Chairman of the Meeting as his/her/its proxy to vote on his/her/its behalf at the AGM if such member wishes to exercise his/her/its voting rights at the AGM**. Please note that a member may not vote at the AGM otherwise than by way of appointing the Chairman of the Meeting as the member's proxy. The accompanying proxy form for the AGM will be 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.

5. 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.

   CPF or SRS investors who wish to appoint the Chairman of the Meeting as proxy should approach their respective CPF Agent Banks or SRS Operators to submit their votes by 5.00 p.m. on 19 April 2021.

   Persons who hold Penguin shares through relevant intermediaries (other than CPF/SRS Investors) who wish to vote should approach his/her relevant intermediary as soon as possible to specify voting instructions.

6. The Chairman of the Meeting, as proxy, need not be a member of the Company.

7. The instrument appointing the Chairman of the Meeting as proxy 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., 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623; or (b) if submitted electronically, be submitted via email to the Company at **agm@penguin.com.sg**, in either case not less than 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 above, or before scanning and sending it by email to the email address provided above.

   In view of the current COVID-19 situation and the related safe distancing measures which may make it difficult for members to submit completed proxy forms by post, members are strongly encouraged to submit completed proxy forms electronically via email.

8. A member who wishes to raise any matters at the AGM must submit such matters or any questions related to the AGM through the e-AGM Webcast Registration by clicking on the link **https://conveneagm.com/sg/penguin.** Members are required to submit the matters they wish to be heard on and/or their questions at least 72 hours before the AGM. The Company will respond to substantial and relevant questions at the AGM and the response will be published on the SGX website.

9. The Annual Report 2020 and the Letter to Shareholders dated 14 April 2021 (in relation to the proposed renewal of mandate for interested person transactions and share buy-back mandate) may be accessed at the Company's website at http://www.penguin.com.sg/about-us/investor-relations/ as follows: (a) the Annual Report 2020 may be accessed by clicking on the hyperlink for "Annual Report 2020" ; and (b) the Letter to Shareholders dated 14 April 2021 may be accessed by clicking on the hyperlink for "Letter to Shareholders". Printed copies will not be sent to members.

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.

DISCLOSURE OF INFORMATION ON DIRECTOR SEEKING APPOINTMENT AT AGM

The Company is seeking approval of the shareholders on the appointment of Mr Winston Kwek Choon Lin as a Director at the 2021 AGM. Pursuant to Rule 720(6) of the Listing Manual of the SGX-ST, the following is the information relating to Mr Winston Kwek Choon Lin as set out in Appendix 7.4.1 to the Listing Manual of the SGX-ST.

Name of Director	**Winston Kwek Choon Lin**
Date of appointment	29 April 2021
Date of last re-appointment (if applicable)	N.A.
Age	56
Country of principal residence	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The Board has considered, among others, the recommendation of the NC and has reviewed and considered the qualifications, expertise, work experience and suitability of Mr Winston Kwek as an Independent Director. The Board has accepted the NC's recommendation and is of the view that Mr Kwek possesses the experience, expertise, knowledge and skills to contribute towards the core competencies of the Board.
Whether Board appointment is executive, and if so, the area of responsibility	Non-Executive
Job Title (e.g. Lead ID, AC Chairman, AC Member)	Independent and Non-Executive Director
Academic / professional qualifications	• 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
Working experience and occupation(s) during the past 10 years	Partner, Rajah & Tann Singapore LLP
Shareholding interest in the listed issuer and its subsidiaries	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
Conflict of interest (including any competing business)	No

DISCLOSURE OF INFORMATION ON DIRECTOR SEEKING APPOINTMENT AT AGM (CONT'D)

Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the Company	Yes
Other Principal Commitments including Directorships: Past 5 years: Present:	 Partner, Rajah & Tann Singapore LLP Independent Director, BH Global Corporation Ltd.
Disclose the following matters concerning an appointment of director, chief executive officer, chief financial 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.	
(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 him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No
(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 he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he 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
(c) Whether there is any unsatisfied judgment against him?	No
(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No
(e) Whether he has 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 he is aware) for such breach?	No

DISCLOSURE OF INFORMATION ON DIRECTOR SEEKING APPOINTMENT AT AGM (CONT'D)

(f)	Whether at any time during the last 10 years, judgment has been entered against him 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 his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No
(g)	Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No
(h)	Whether he has 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
(i)	Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No
(j)	Whether he has ever, to his 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	No
	(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
	(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	No

DISCLOSURE OF INFORMATION ON DIRECTOR SEEKING APPOINTMENT AT AGM (CONT'D)

	(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 he was so concerned with the entity or business trust?	No
(k)	Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has 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

Disclosure applicable to the appointment of Director only.

Any prior experience as a director of a listed company? ☒ Yes ☐ No

If yes, please provide details of prior experience.
BH Global Corporation Ltd.

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.

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.

PENGUIN

PENGUIN INTERNATIONAL LIMITED

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

PROXY FORM

Please read notes overleaf before completing this Form

IMPORTANT

1. The Annual General Meeting ("**Meeting**") 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. Printed copies of the Notice of Meeting ("**Notice**") together with the proxy form and Letter to Shareholders dated 14 April 2021 will not be sent to members. Instead, the Notice, proxy form and Letter to Shareholders dated 14 April 2021 will be sent to members by electronic means via publication 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.
2. Alternative arrangements relating to attendance at the Meeting via electronic means (including arrangements by which the meeting can be electronically accessed via live audio-visual webcast or audio- only means), submission of questions to the Chairman of the Meeting in advance of the Meeting and voting by appointing the Chairman of the Meeting as proxy at the Meeting as set out in the accompanying Company announcement dated 14 April 2021 (the "**Announcement**"). This Announcement may be accessed at 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.
3. **Due to the current COVID-19 restriction orders in Singapore, a member will not be able to attend the Meeting in person. A member (whether individual or corporate) must appoint the Chairman of the Meeting as his/her/its proxy to vote on his/her/its behalf at the Meeting if such member wishes to exercise his/her/its voting rights at the Meeting.**
4. This proxy form is not valid for use by persons holding shares in the Company through relevant intermediaries (as defined in Section 181 of the Companies Act, Chapter 50) (including CPF/SRS investors) ("**Investors**') and shall be ineffective for all intents and purposes if used or purported to be used by them. Investors who wish to vote should instead approach his/her relevant intermediary as soon as possible to specify voting instructions. CPF/SRS investors who wish to appoint the Chairman of the Meeting as proxy should approach their respective CPF Agent Banks or SRS Operators to submit their votes by 5.00 p.m. on 19 April 2021.
5. Please read the notes overleaf which contain instructions on, *inter alia*, the appointment of the Chairman of the Meeting as a member's proxy to vote on his/her/its behalf at the Meeting.

PERSONAL DATA PRIVACY

By submitting this proxy form, the member accepts and agrees to the personal data privacy terms set out in the Notice dated 14 April 2021.

I/We ________________________________ (Name)

________________________________ (NRIC No./Passport No./Company Registration No.)

of ________________________________ (Address)

being a *member/members of **PENGUIN INTERNATIONAL LIMITED** (the "**Company**"), hereby appoint 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 (the "**Meeting**") to be held by way of electronic means on Thursday, 29 April 2021 at 10.30 a.m. and at any adjournment thereof in the following manner.

(*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 you wish the Chairman of the Meeting as your proxy to "Abstain" from voting on a resolution, please indicate "√" in the "Abstain" box in respect of that resolution. Alternatively, please indicate the number of shares that the Chairman of the Meeting as your proxy is directed to abstain from voting in that resolution. **In the absence of specific direction in respect of a resolution, the appointment of the Chairman of the Meeting as your proxy for that resolution will be treated as invalid.)**

NO.	ORDINARY RESOLUTIONS	For*	Against*	Abstain*
	ORDINARY BUSINESS			
1.	Adoption of Directors' Statement and Audited Financial Statements			
2.	Approval of Directors' Fees			
3.	Appointment of Mr Winston Kwek Choon Lin as Director			
4.	Re-appointment of PKF-CAP LLP as Auditor			
	SPECIAL BUSINESS			
5.	Renewal of Share Issue Mandate			
6.	Renewal of Mandate for Interested Person Transactions			
7.	Renewal of Share Buy-back Mandate			

**Voting will be conducted by poll. If you wish to exercise all your votes "For" or "Against" or "Abstain", please tick (✓) within the box provided. Alternatively, please indicate the number of votes as appropriate.*

Dated this ________ day of ________________ 2021.

Total No. of Shares Held	

____
Signature(s) of Member(s)/Common Seal

* Please delete accordingly

IMPORTANT: **PLEASE READ NOTES OVERLEAF**

Notes:

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. **Due to the current COVID-19 restriction orders in Singapore, a member will not be able to attend the Meeting in person. A member (whether individual or corporate) must appoint the Chairman of the Meeting as his/her/its proxy to attend and vote on his/her/its behalf at the Annual General Meeting if such member wishes to exercise his/her/its voting rights at the Meeting.** Please note that a member may not vote at the AGM otherwise than by way of appointing the Chairman of the Meeting as the member's proxy. This proxy form may be accessed at 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.

   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.

   This proxy form is not valid for use by Investors and shall be ineffective for all intent and purposes if used or purported to be used by them. Investors who wish to vote should instead approach his/her relevant intermediary as soon as possible to specify voting instructions. CPF/SRS investors who wish to appoint the Chairman of the Meeting as proxy should approach their respective CPF Agent Banks or SRS Operators to submit their votes by 5.00 p.m. on 19 April 2021.

3. The Chairman of the Meeting, as proxy, need not be a member of the Company.

4. The instrument appointing the Chairman of the Meeting as proxy 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., 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623; or
   b. if submitted electronically, be submitted via email to the Company at **agm@penguin.com.sg**

   in either case not less than 72 hours before the time appointed for the Annual General Meeting.

   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.

   In view of the current COVID-19 situation and the related safe distancing measures which may make it difficult for members to submit completed proxy forms by post, members are strongly encouraged to submit completed proxy forms electronically via email.

5. The instrument appointing the Chairman of the Meeting as proxy must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing the Chairman of the Meeting as proxy is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised.

6. Where an instrument appointing the Chairman of the Meeting as proxy 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 Chairman of the Meeting as proxy is submitted by post, be lodged with the instrument of proxy or, if the instrument appointing the Chairman of the Meeting as proxy is submitted electronically via email, be emailed with the instrument of proxy, failing which the instrument may be treated as invalid.

7. The Company shall be entitled to reject the instrument appointing the Chairman of the Meeting as proxy 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 Chairman of the Meeting as proxy (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 Chairman of the Meeting as proxy 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 Annual General Meeting as certified by The Central Depository (Pte) Limited to the Company.

8. 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.

During this pandemic, there are those among us who have sacrificed their own way of life so that we may enjoy ours.

In Penguin, we owe a huge debt of gratitude to our migrant workers and crew, who truly suffered during the Circuit Breaker period and continue to have their freedom and their own way of life curtailed, while the rest of us are only inconvenienced.

Let us spare a thought and a prayer for these unsung heroes. Thank you all for your sacrifices. God bless you!