PENGUIN INTERNATIONAL LIMITED

ANNUAL REPORT 2016

PENGUIN

RIDING THE STORM

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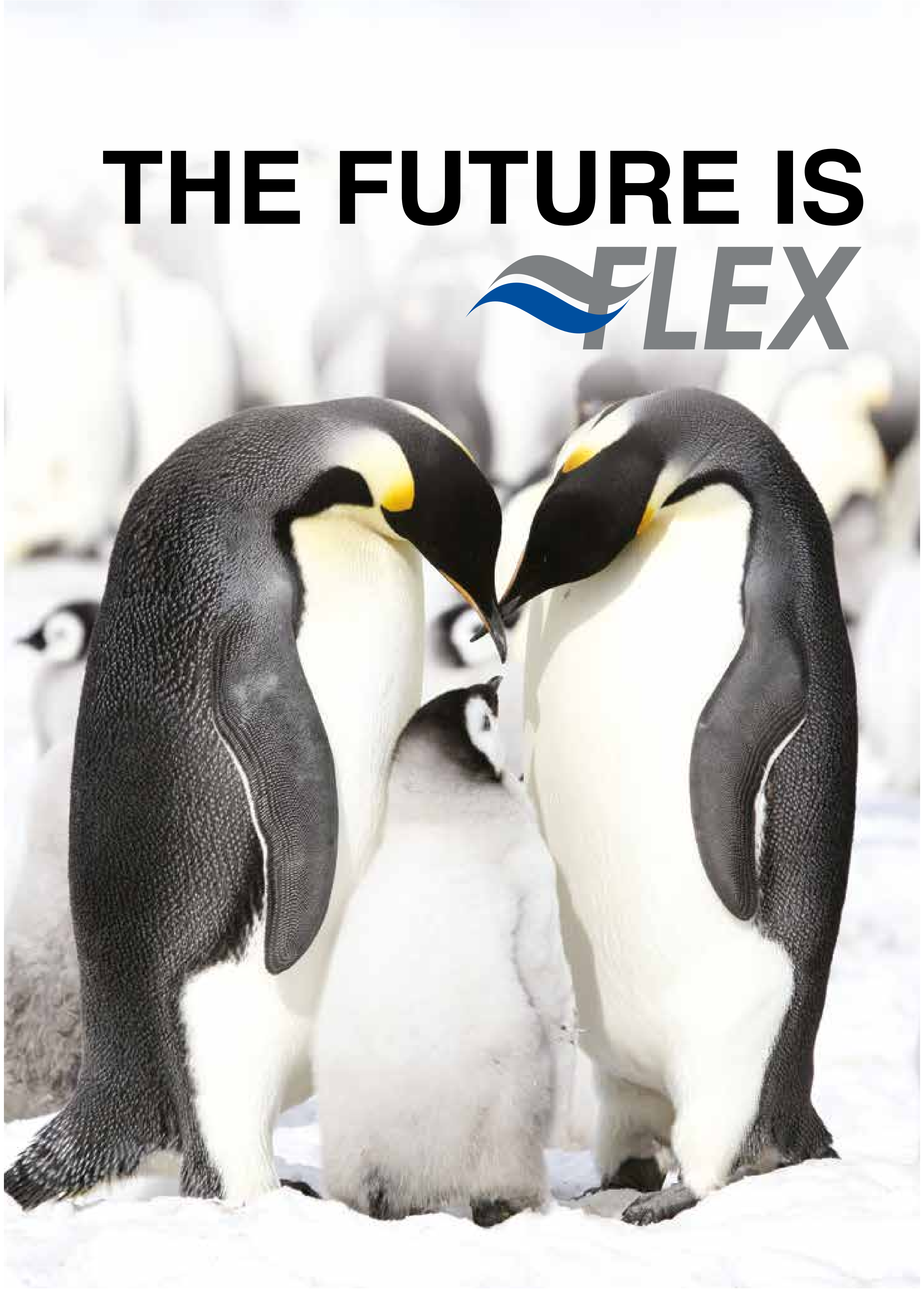


STANDING STRONG

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.

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.

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.

WELCOME TO THE HOME OF THE FLEX

PENGUIN IS A SINGAPOREAN HOMEGROWN, PUBLICLY LISTED DESIGNER, BUILDER, OWNER AND OPERATOR OF ALUMINIUM HIGH-SPEED CRAFT.

Since 1995, we have delivered more than 150 aluminium workboats, patrol craft and passenger ferries to ship owners around the world, including over 120 of our proprietary-designed Flex offshore crewboats and armoured security boats (Flex Fighter).

In fact, Penguin is the world's most prolific builder of mid-sized, multi-role crewboats for the offshore and maritime security industries. That is how the Flex became the industry standard.

Whether you are fending off pirates in inland waterways or transporting rig workers in open seas, we have the Flex to suit your needs.

Our crewboats are jointly developed by our integrated in-house shipbuilding and ship management teams in Singapore, backed by more than two decades of experience.

At Penguin, we typically own and operate what we design and build. Our fleet of crewboats and passenger ferries serve our clients in and around Southeast Asia.

Our shipyards in Singapore and Batam, Indonesia, operate a self-funded build-for-stock programme that features the Caterpillar-powered Flex-40SLC and the Cummins-powered Flex-40SL, in both crewboat and security boat variants.

In addition, our shipyards also undertake owner-specific build-to-order, as well as repair and conversion projects for a variety of high-speed craft, including fire fighting search-and-rescue vessels, wind farm support vessels and passenger ferries.

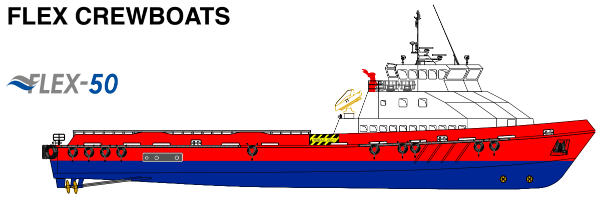
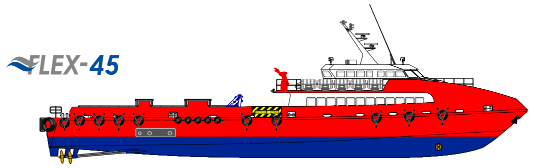
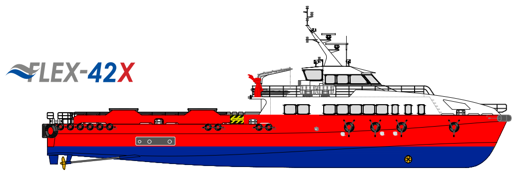
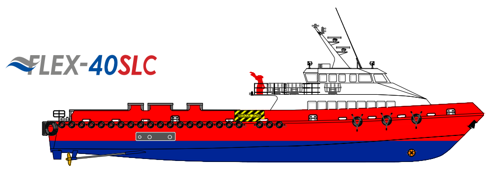
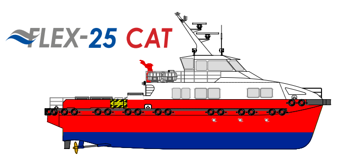
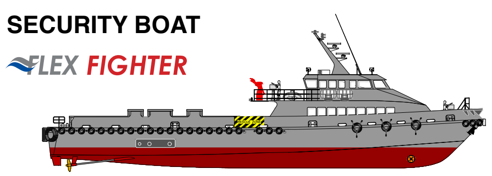
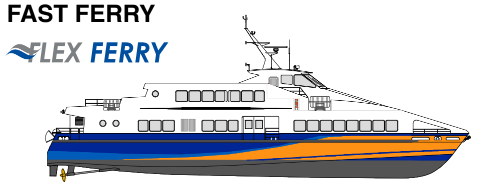
Whether you are a ship owner or a charterer, you will enjoy peace of mind with the Penguin brand, which stands for integrity, professionalism and mutual respect.

Go ahead.
FLEX YOUR FLEET!

For more information on Flex 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)
FLEX CREWBOATS				
FLEX-50 	9864	75*	200	200
FLEX-45 	4800	63*	135	135
FLEX-42X 	4350	70*	110	100
FLEX-40SLC 	4350	78	110	93
FLEX-25 CAT 	2900	60*	52	28
SECURITY BOAT				
FLEX FIGHTER 	4350	23[1]	110	93
FAST FERRY				
FLEX FERRY 	3900	238[2]	–	8

* Full Business Class Seating Arrangement
[1] Includes 3 x 4-pax cabins and Deck Command Centre on main deck
[2] 208 Economy Class, 30 Business Class

CORPORATE PROFILE

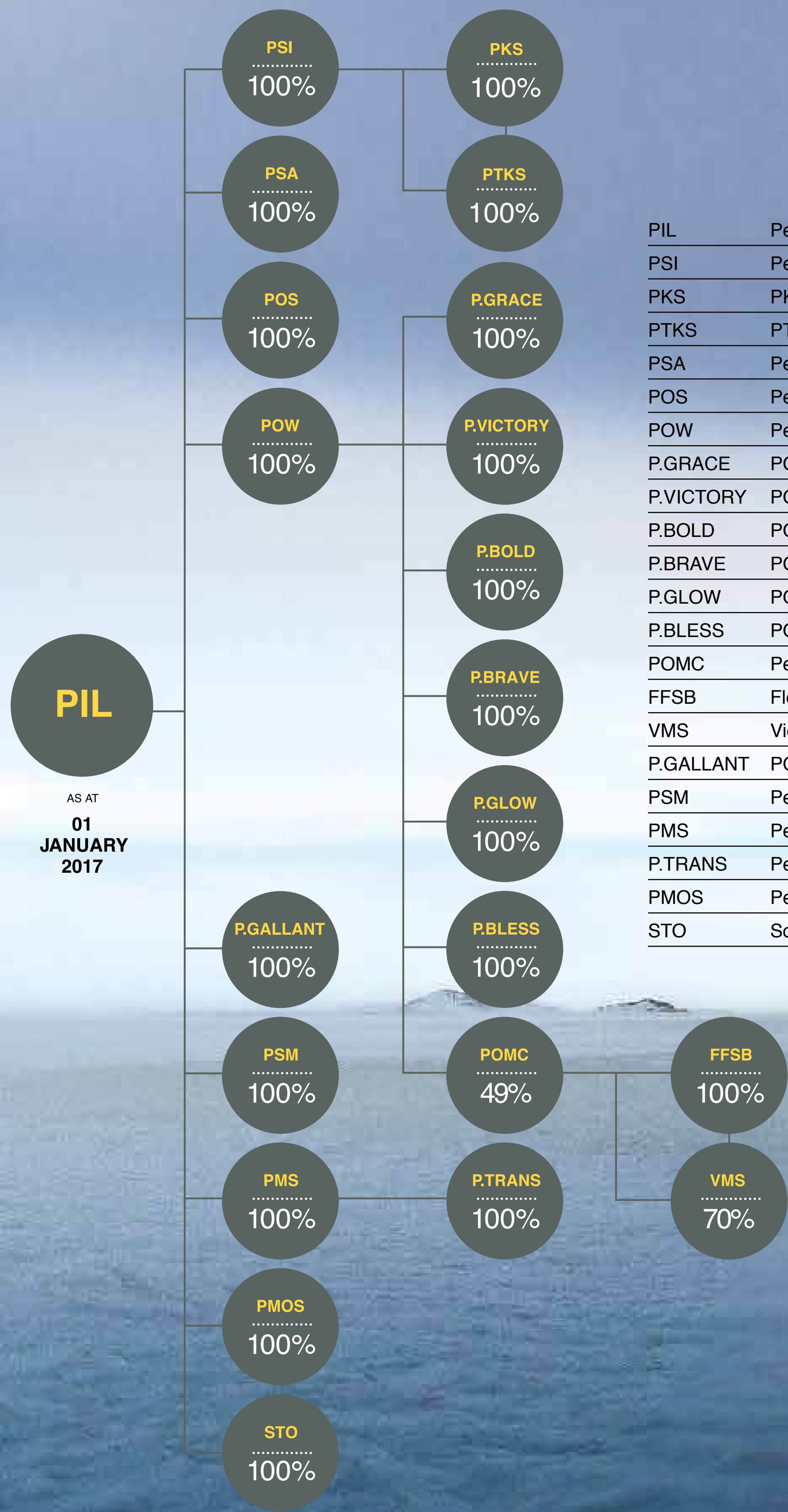
PENGUIN INTERNATIONAL LIMITED

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, Penguin operates a fleet of crewboats and passenger ferries, as well as shipyards in Singapore and Batam, Indonesia.

Our business is backed by a strong balance sheet and led by an experienced hands-on management team. We are committed to maintaining a high standard of public accountability, corporate governance and social responsibility. We stand for integrity, professionalism and mutual respect.

CORPORATE STRUCTURE



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

A JOINT LETTER FROM OUR CHAIRMAN & OUR MANAGING DIRECTOR

DEAR FELLOW SHAREHOLDERS,

RIDING THE STORM

In a protracted crisis such as the one that we are experiencing right now, it is tempting for management to declare that "the worst is over" or that "the market has bottomed out", in an attempt to bolster employee morale and investor confidence.

In our view, such proclamations at this point in time are nothing more than public relations spin, occasionally drawing on industry reports by vested parties.

At Penguin, we have always chosen to confront reality head-on, no matter how painful it is.

The reality we see is that the business environment for the offshore oil and gas industry will continue to deteriorate for the foreseeable future, notwithstanding occasional upticks in oil prices. Financing has all but dried up, charter and utilisation rates remain under pressure, there are way too many vessels vying for too few jobs, and there is a growing rank of distressed ship owners and builders who are willing to win work at any cost.

The forces of this deteriorating market have also weighed heavily on Penguin.

OUR TOUGHEST TEST

We ended FY2015 with a net profit after tax of $21.2 million, $37.3 million in cash, $39.5 million in current liabilities, inventories of $53.4 million, including a stock of more than a dozen Flex crewboats. In our shareholders letter for that year, we wrote: "In good times and bad, our strategy (of being an integrated designer-builder-owner-operator of high-speed craft) has served us well. While it has yet to be put to the ultimate test in the current crisis besetting the industry, we must stay the course and continue to leverage our strengths."

In FY2016, that strategy was subjected to a severe stress test.

We ended our last financial year with a loss of $6.4 million, $18.7 million in cash (down 49.9% from end 2015), $30.3 million in current liabilities (down 23.3%) and inventories of $40.2 million (down 24.7%). In end September 2016, our cash dropped to $11.8 million, the lowest quarterly balance in 6 years.

We did not manage to sell a single stock crewboat last year despite our best efforts. Instead, we transferred some of our stock crewboats to our operating subsidiary Pelican to grow our chartering business.

Against this tempest, we made some painful decisions: We froze salaries and reduced headcount in Singapore and Batam, we laid up our idle vessels and impaired vessel values, and we slashed costs across all subsidiaries and departments. We also ramped up our marketing drive and ventured into new non-oil markets for high-speed craft.

OUR PRUDENCE AND FORTITUDE PAID OFF, FOR EVEN IN OUR DARKEST HOURS, SURVIVAL WAS NEVER IN QUESTION.

Our cash ratio (cash and cash equivalents over total current liabilities) may have hit a low of 0.54 in 3Q2016, but it was still at a comfortable level. Our stock of unsold Flexes were all funded internally, so there was no pressure from our bankers. We still had a steady albeit modest revenue stream from our vessel charters and third-party repair jobs, as well as an ongoing contract to build new ferries for one of our cornerstone clients, Sindo Ferry.

During the year, we also sold one crewboat, one ferry and one landing craft from our operating fleet for a profit.

More significantly, we ended a gloomy year on a bright note when we won an international tender in a consortium with ST Marine to design, build and maintain three fire fighting search-and-rescue vessels for Singapore's Ministry of Home Affairs. Penguin is responsible for the design, construction and maintenance of one monohull Marine Rescue Vessel and one catamaran Heavy Marine Rescue Vessel.

This is by far Penguin's single largest shipbuilding contract and in a new non-oil market segment no less. It also represents an endorsement of Penguin as a world-class builder of high-speed craft and further affirms our integrated designer-builder-owner -operator strategy.

The two aluminium fire fighting boats, scheduled for delivery in 2019, will be operated by the Singapore Civil Defence Force (SCDF), maintained by Penguin and deployed as first responders to support maritime rescue missions.

While Penguin is no stranger to designing, building and operating high-speed crewboats with external fire fighting capabilities, these SCDF vessels – being purpose-built, mission-critical fire fighting search-and-rescue vessels – will possess significantly more power for fire fighting and speed, as well as numerous features not found in crewboats.

DOING THINGS DIFFERENTLY

The SCDF project is one example of Penguin doing things differently, while staying true to our core capabilities and values. Through the years, we have consistently sought to sensibly diversify our product offering and penetrate new markets. We are confident of scoring more of such frontier victories in the near future.

Still on the subject of doing things differently, we embarked on an unusual project last year that involved converting one of our newbuild Flex-25 CAT catamaran crewboats, "Pelican Redeem", into a 112-pax ferry, "Penguin Redeem", for a government project in Singapore. We had previously converted two of our old ferries into crewboats for sale but this was the first time we had converted a crewboat into a ferry. The project was completed on time and within budget, and the vessel is now gainfully employed.

Changes are also afoot in our Singapore shipyard, fuelled by the need to do things differently. In recent months, we have appointed a new head of Penguin Shipyard International, refreshed our shipbuilding ranks and filled new positions in design, projects and quality. The new team will be responsible for the successful delivery of the SCDF vessels and is well positioned to execute a variety of complex build-to-order projects, while injecting new ideas to revitalise our build-for-stock programme when the time comes.

STAYING WITH TRADITION

Penguin is a proudly traditional company, traditional in a sense of staying rooted to our immutable values of integrity, professionalism and mutual respect. These values have helped to shape the Penguin brand, which continues to grow globally. In certain markets, our Flex crewboat specs have become the de facto industry specs. A further testimony to the strength of the Penguin brand is the high proportion of repeat clients and referred clients in our shipbuilding and chartering businesses.

Along the lines of tradition, as a homegrown, locally listed and managed company, we are also committed to seeking out Singaporeans in recruitment. On that front, we have been working closely with government agencies such as e2i to fill our ranks. We believe that Singaporean employers need to do more for our fellow Singaporeans, especially in light of recent statistics showing that 67,300 Singaporeans and 6,600 permanent residents were unemployed in December 2016 – the most since 2010.

In the same spirit of tradition, we thank God for His grace and mercies. For all our achievements, we are grateful to our employees, our board of directors, our clients, our project partners and you, our shareholders. Thank you.

MR. JEFFREY HING YIH PEIR
Executive Chairman

MR. JAMES THAM TUCK CHOONG
Managing Director

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.
First Flex-50 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.

BOARD OF DIRECTORS
EXECUTIVE 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 April 2014. Mr. Hing was appointed a member of the Nominating Committee on 28 April 2015. Mr. Hing has more than 30 years' experience in the marine and offshore industry in a variety of roles ranging from finance to business development. He is the founder and managing director of Trinity Offshore Pte. Ltd., a Singapore-based owner-operator of offshore support/utility vessels and serves on the Board of OEL (Holdings) Limited as Executive Chairman and Managing 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 in April 2014. 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.

MS. JOANNA TUNG MAY FONG
Finance and Administration Director

Ms. Tung was appointed Finance and Administration Director in May 2008 and last re-elected in April 2016. She is responsible for the Group's accounting and finance, corporate reporting, management information system and human resources functions.

Ms. Tung joined the Group in 2000 as an Accountant, and was promoted to Group Financial Controller in 2006, and subsequently Finance and Administration Director in 2008. Her duties and responsibilities have, over the years, been expanded to include management of Penguin's accounting and finance activities, as well as corporate reporting and related Group administration. Prior to joining Penguin, she served as an accountant in a broad range of industries, including electronics and transportation. She was also a regional internal auditor at a major Japanese MNC. Ms. Tung is a member of the Institute of Singapore Chartered Accountants and holds the ACCA professional qualification.

BOARD OF DIRECTORS
INDEPENDENT DIRECTORS

MR. ONG KIAN MIN
Lead Independent Director

Mr. Ong was appointed to the Board in September 1997 and last re-elected in April 2015. He is Chairman of the Audit Committee, a position he has held since October 1997, 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.

In addition to practicing as a consultant with Drew & Napier LLC, a leading Singapore law firm, he is a Senior Advisor of Alpha Advisory Pte Ltd (a financial and corporate advisory firm) and CEO of Kanesaka Sushi Private Limited which invests in and operates Japanese fine-dining restaurants. Currently, Mr. Ong also serves as Non-Executive Chairman of Hupsteel Ltd and as an Independent Director on the Board of several other Singapore-listed companies, namely Breadtalk Group Ltd, Food Empire Holdings Limited, Jaya Holdings Limited and Silverlake Axis Limited.

MR. WONG NGIAM JIH
Independent Director

Mr. Wong was appointed to the Board in May 2006 and last re-elected in April 2016. He is the Chairman of the Nominating Committee, a position he was appointed to on 15 August 2008. He has been a member of the Remuneration Committee since May 2006 and was appointed its Chairman on 28 April 2015. He is also a member of the Audit Committee.

Mr. Wong is the Chief Financial Officer of Keppel Offshore & Marine Ltd and director of a number of companies in the Keppel Group, including Keppel Singmarine Pte Ltd, Keppel Smit Towage Pte Ltd and Keppel Nantong Shipyard Co. Ltd. He also serves as an Alternate Director on the Board of Dyna-Mac Holdings Limited. Mr. Wong has extensive experience of more than 40 years in finance and accounting. Mr. Wong holds a Bachelor of Business Administration Degree from the National University of Singapore.

MR. LEOW BAN TAT
Independent Director

Mr. Leow was appointed to the Board on 28 April 2015 and last re-elected in April 2016. He is a member of the Audit and Remuneration Committees.

Mr. Leow has more than 33 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. 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 is currently serving in a significant military defence role as a National Serviceman Chief Engineering Officer with the Republic of Singapore Navy.

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. STEPHEN PHUAH KAH SEONG
General Manager,
Group Commercial
Penguin International Limited

Mr. Phuah joined the Penguin Group in November 2016 as General Manager of Group Commercial. He is responsible for the Group's sales, marketing and contracting functions, including shipbuilding and repair, chartering and sale & purchase.

Mr. Phuah possesses more than 30 years of experience in offshore commercial roles spanning shipbuilding and chartering. Prior to joining the Penguin Group, Mr. Phuah held senior commercial positions at global marine and offshore companies.

Mr. Phuah graduated from Nanyang Technological Institute in 1987 with an Honours Degree in Civil and Structural Engineering.

MR. CHAN YING KWOK
Deputy General Manager
Penguin Shipyard
International Pte Ltd

Mr. Chan joined the Penguin Group in October 2016 as Deputy General Manager of Penguin Shipyard International Pte Ltd.

Mr. Chan possesses more than 30 years of experience in the shipping and shipbuilding industries. Prior to joining the Penguin Group, Mr. Chan has held senior managerial and lead technical positions in local and overseas companies, performing a variety of roles including vessel design, newbuilding, operations and maintenance.

Mr. Chan is a Chartered Marine Engineer of the Engineering Council, UK, and a qualified Quality Assurance Engineer. He holds a UK First Class Honours Bachelor of Engineering Degree in Marine Technology, specialising in Marine Engineering, and a local Post-Graduate Diploma in Defence Science and Technology.

MR. RICKY CHOO GEOK TONG
General Manager
PT Kim Seah Shipyard
Indonesia

Mr. Choo was appointed General Manager of the Group's Batam shipyard, PT Kim Seah Shipyard Indonesia, in March 2011.

Mr. Choo, who was the yard's Deputy General Manager from June 2009, now oversees all shipbuilding, repair and conversion activities in Batam.

He possesses more than 30 years of hands-on working experience in shipbuilding and repair, including close to 10 years working at a major shipyard in Batam.

During the course of his work, Mr. Choo has managed the construction of a variety of vessels, including anchor handlers, crewboats, crude oil tankers, chemical tankers and landing craft.

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 close to four decades 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. HO KAI KAY
Human Resource Manager
Penguin International Limited

Mr. Ho joined the Penguin Group in August 2008 as Human Resource Manager. He is responsible for all aspects of the Group's Human Resource activities, including policy formulation, employee communication, discipline, recruitment and personnel development. Mr. Ho also oversees safety and security at the Group's shipyards.

Prior to joining the Penguin Group, Mr. Ho served as Human Resource and Administration Manager at an international property development group in Singapore for 15 years.

Mr. Ho possesses a background in naval operations and holds a Graduate Diploma in Business Administration from the Singapore Institute of Management and a Diploma in Administrative Management from the Institute of Administrative Management.

HIGHLIGHTS OF FY2016

OPERATIONS

- Award of a major contract by Singapore's Ministry of Home Affairs to design, build and maintain three fire fighting search-and-rescue vessels to a consortium comprising ST Marine and Penguin. Vessels are scheduled for delivery in 2019.
- Delivery of two new 268-pax monohull ferries to Sindo Ferry, with one more due for delivery in 2H2017.
- Sale of one crewboat, one ferry and one landing craft from our operating fleet.
- Conversion of a newbuild Flex-25 CAT catamaran crewboat into a 112-pax ferry for a government project in Singapore.
- Successful sea trial of our next-generation mid-sized crewboat, the Flex-42X.

FINANCE

- Loss of $6.4 million in FY2016 on revenue of $33.4 million, down 130.2% and 72.1% respectively from the previous year.
- Shipbuilding revenue dropped 89.6% year-on-year in FY2016 to $9.8 million, chartering revenue down 9.6% to $21.0 million over the same period.
- A 38.2% year-on-year decrease in administrative expenses, from $19.2 million in FY2015 to $11.9 million in FY2016.
- A 24.7% year-on-year decrease in inventory, from $53.4 million as at end 2015 to $40.2 million as at end 2016.
- A 3.6% year-on-year decrease in net assets, from $151.4 million in end 2015 to $146.0 million in end 2016.
- Cash and cash equivalents of $18.7 million and a cash ratio of 0.62 as at end 2016, versus $37.3 million and 0.94 respectively as at end 2015.

During a dismal year in FY2016, we hit a high note when Penguin in a consortium with ST Marine won an international tender to design, build and maintain three fire fighting search-and-rescue vessels for Singapore's Ministry of Home Affairs. Penguin is responsible for the design, construction and maintenance of one monohull Marine Rescue Vessel and one catamaran Heavy Marine Rescue Vessel.

THE SCDF PROJECT IS BY FAR PENGUIN'S SINGLE LARGEST SHIPBUILDING CONTRACT, NOTABLY IN A NEW NON-OIL MARKET SEGMENT. IT ALSO REPRESENTS AN ENDORSEMENT OF PENGUIN AS A WORLD-CLASS BUILDER OF HIGH-SPEED CRAFT AND FURTHER AFFIRMS OUR INTEGRATED DESIGNER-BUILDER-OWNER-OPERATOR STRATEGY.

The two aluminium fireboats, scheduled for delivery in 2019, will be operated by the Singapore Civil Defence Force, maintained by Penguin and deployed as first responders to support maritime rescue missions.

During the year, we also successfully commissioned our newly designed mid-sized crewboat, the Flex-42X. With a proven hullform adapted from fast ferries and 4350 BHP of horsepower supplied by three Caterpillar C32 ACERT main engines mated to fixed-pitch propellers, the 42-metre monohull crewboat hit a top speed of over 30 knots with 35 tons of deadweight at sea trials.

Apart from the established hullform, the Flex-42X is a brand new crewboat concept, designed virtually from scratch by Penguin, in partnership with Southampton-based BMT Nigel Gee.

During the design and development process, which spanned more than two years under the code name "Matrix", designers from the two companies drew heavily on Penguin's track record as an integrated designer-builder-owner-operator of multi-role workboats and BMT Nigel Gee's track record in designing sleek high-speed passenger ferries.

The result was a 30-knot crewboat with 70 business class reclining seats with generous legroom and two VIP cabins on the main deck, as well as 100,000 litres of fuel capacity and 20,000 litres of fresh water capacity, plus a 110-square metre cargo deck and two external fire fighting monitors with a combined FiFi-½ capability.

The new Flex-42X is also the world's first mid-sized crewboat to feature MLC-certified (Maritime Labour Convention) crew cabins with natural lighting, generous living spaces and in-room conveniences.

Despite the gloom and doom, we are optimistic about our prospects for FY2017.

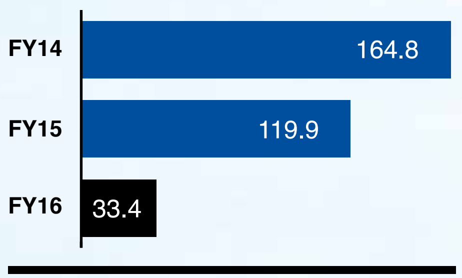
KEY BALANCE SHEET HIGHLIGHTS

($'MILLION)	As at 31 Dec 2016	As at 31 Dec 2015
Total Assets	186.8	205.2
Property, plant and equipment	104.4	106.8
Inventories	40.2	53.4
Short-term deposits	12.0	27.3
Cash and bank balances	6.7	10.0
Total Liabilities	40.8	53.8
Total Equity	146.0	151.4

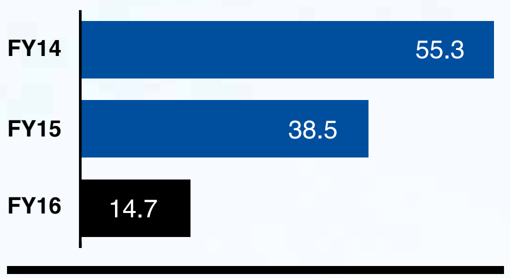
KEY FINANCIAL HIGHLIGHTS IN FY2016

FINANCIAL YEAR ENDED
31 DECEMBER 2016

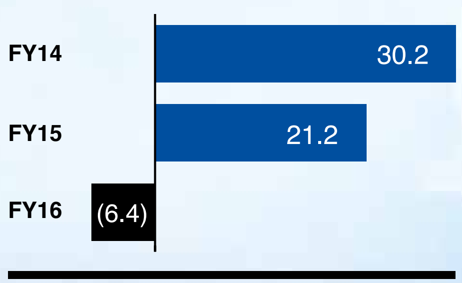
REVENUE ($'m)



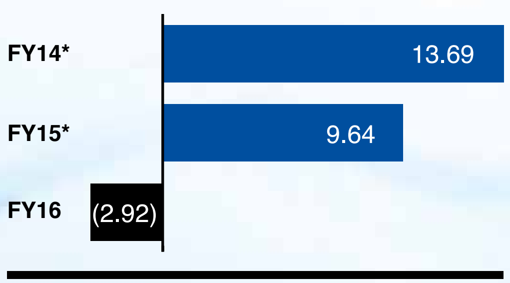
GROSS PROFIT ($'m)



NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS ($'m)

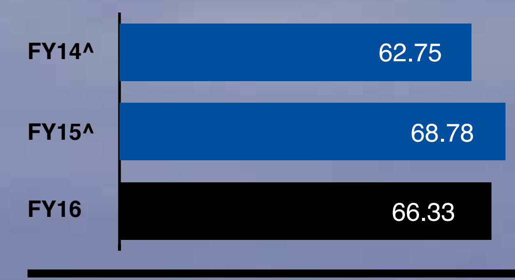


EARNINGS PER SHARE (cents)



*For comparison, earnings per share for the previous corresponding financial years have been re-computed based on the weighted average number of 220,169,774 shares (after the completion of the Share Consolidation) during the financial year.

NET ASSET VALUE PER SHARE (cents)



^ For comparison, net asset value per ordinary share for the previous corresponding financial years have been re-computed based on the revised number of 220,169,774 shares as a result of the Share Consolidation.

CORPORATE INFORMATION

DIRECTORS
Jeffrey Hing Yih Peir
James Tham Tuck Choong
Tung May Fong
Ong Kian Min
Wong Ngiam Jih
Leow Ban Tat

COMPANY SECRETARIES
Heng Michelle Fiona
Lo Swee Oi

REGISTERED OFFICE
18 Tuas Basin Link
Singapore 638784

BANKERS
Malayan Banking Berhad
United Overseas Bank Limited

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

AUDITORS
Ernst & Young LLP
One Raffles Quay
North Tower, Level 18
Singapore 048583
Partner in charge: Lim Tze Yuen
(Since financial year ended 31 December 2015)

CORPORATE GOVERNANCE REPORT

Penguin International Limited (the "Company") is committed to maintaining high corporate governance standards and sound corporate practices within Penguin International Ltd and its subsidiaries (the "Group") to ensure that effective self-regulation practices are in place to enhance corporate performance and accountability. This report sets out the corporate governance practices of the Company with reference to the principles of the Code of Corporate Governance 2012 (the "2012 Code"). The Code forms part of the Continuing Listing Obligations of the Singapore Exchange Securities Trading Limited's Listing Manual.

BOARD MATTERS

PRINCIPLE 1: BOARD'S CONDUCT OF AFFAIRS

The Board comprises six Directors, of whom three are Independent Directors. The Board with its diverse mix of professional backgrounds have greatly benefited the Group. The Directors are as follows:

Executive Directors

Jeffrey Hing Yih Peir	(Executive Chairman)
James Tham Tuck Choong	(Managing Director)
Tung May Fong	(Finance and Administration Director)

Non-Executive Directors

Ong Kian Min	(Lead Independent Director)
Wong Ngiam Jih	(Independent Director)
Leow Ban Tat	(Independent Director)

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 Company. Each Director exercises his independent judgement to act in good faith and in the best interest of the Company 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.

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

1. supervise the overall management of the business and affairs of the Group and approve the Group's corporate and strategic policies and direction;
2. 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;
3. approve the Group's annual budgets, major funding proposals, investment/divestment proposals and corporate or financial restructuring;
4. oversee the processes for evaluating the adequacy of internal controls and risk management including the review and approval of interested person transactions;
5. ensure that necessary financial and human capital resources are available for the Group to meet its objectives;
6. review and endorse the framework of remuneration for the Board and key management personnel as recommended by the Remuneration Committee;
7. approve the nominations to the Board of Directors and appointment of key management personnel, as recommended by the Nominating Committee; and
8. assume responsibility for corporate governance and compliance with the Companies Act, Cap. 50 and the rules and requirements of relevant regulatory bodies.

Delegation of the Board

The Board has delegated specific responsibilities to three committees namely, the Audit 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 2012 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.

Attendance at Board and Committee Meetings

The Board conducts regular scheduled meetings on a quarterly basis. Ad-hoc meetings are convened when circumstances require. The Company's Constitution permits Directors to attend meetings by telephone conference. 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 FY2016 is as follows:

Meetings of:	Board	Audit 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
Wong Ngiam Jih	4	4	1	1
Leow Ban Tat	4	4	—	1

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.

Board Orientation and Training

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. 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. The Board as a whole, is updated regularly on risk management, corporate governance and key changes in the relevant regulatory requirements and accounting standards.

PRINCIPLE 2: BOARD COMPOSITION & GUIDANCE

The Board and its Committees comprise Directors who as a group provide an appropriate balance and diversity of skills and experience including financial, legal and business management. Each Director provides a valuable network of industry contacts which are considered essential to the Group.

All Board Committee Meetings are chaired by Independent Directors and half the Board are Independent Directors.

There is a strong and independent element on the Board. The Board is able to exercise objective judgement independently from Management and no individual or small group of individuals dominate the decisions of the Board.

The composition of the Board and independence of each Director is 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.

After due and careful rigorous review, the Board, with the concurrence of the NC, has determined that Mr. Ong Kian Min and Mr. Wong Ngiam Jih are to be considered independent notwithstanding that they have each served on the Board beyond 9 years as they have continued to demonstrate strong independence in character and judgement in the discharge of their responsibilities as Directors of the Company. They have each continued to express their individual viewpoints, debated issues and objectively scrutinised and challenged Management. They have also sought clarification and amplification as and when necessary and have direct access to the Group's employees and external advisors. Based on their respective declarations, neither Mr. Ong nor Mr. Wong have relationships or circumstances that are likely to affect or that could affect their judgement that could compromise their independence on Board matters.

In addition, the Board, with the concurrence of the NC, is of the opinion that the Directors, who have been classified as independent under the Board Composition section, are indeed independent.

The NC is of the view that the current Board size 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.

PRINCIPLE 3: ROLE OF CHAIRMAN AND MANAGING DIRECTOR

The roles of the Executive Chairman and the Managing Director are segregated to ensure an appropriate balance and separation of power and authority, increased accountability and clear division of responsibilities.

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 Managing Director, with the assistance of a team of key management personnel, is responsible for the day-to-day management of the Group and the Group's strategic goals.

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

To enhance the independence of the Board, Mr. Ong Kian Min, the Lead Independent Director, provides a non-executive perspective and contribute to a balance of viewpoints on the Board. He is the principal liaison on board issues between the Independent Directors and the Executive Directors. Mr. Ong 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.

PRINCIPLE 4: BOARD MEMBERSHIP

The NC comprises the following three Directors, of whom two are Non-Executive and Independent:-

Mr. Wong Ngiam Jih (Chairman)
Mr. Ong Kian Min
Mr. 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 of:

1. identifying and reviewing candidates and making recommendations to the Board for appointment or re-appointment of members of the Board and of the various Board Committees;
2. determining annually whether or not a Director is independent and whether a Director is able to and has been adequately carrying out his duties as a Director of the Company; and
3. evaluating and assessing the Board's performance to ensure the effectiveness of the Board as a whole and the contributions by each Director to the effectiveness of the Board.

The search and nomination for new directors, if any, will be either from internal promotion or through search companies, contacts and recommendations that go through the normal selection process, to cast the net as wide as possible for the right candidates. When appropriate, new directors are appointed after the NC has reviewed and nominated them for appointment.

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.

The NC is of the view that whilst it is important for Directors to devote sufficient time and attention to the affairs of the Company, 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. The NC was therefore satisfied that where a Director had multiple board representations and/or other major commitments, the Director was able to and had been adequately carrying out his duties as a Director of the Company.

The NC has recommended that Mr. Jeffrey Hing Yih Peir and Mr. James Tham Tuck Choong who are retiring by rotation under Regulation 92 of the Company's Constitution at the forthcoming AGM and being eligible, have offered themselves for re-election, be re-elected. The Board has accepted the recommendation of the NC.

Key information on each Director is set out on pages 16 to 17.

PRINCIPLE 5: BOARD PERFORMANCE

The Board, through the delegation of its authority to the NC, has made its best efforts to ensure each Director possesses the experience, knowledge and skills critical to the Group's business. This is necessary to enable the Board to make sound and well-considered decisions. The NC, in considering the nomination of any Director for re-election, will evaluate the performance of the Director involved.

Evaluation of the performance of the Directors and the Board will be undertaken on a continuous basis by the NC with input from other Board members. Renewal or replacement of directors does not necessarily reflect their contribution to date; it may be driven by the need to position and shape the Board in line with the medium- term needs of the Company and its business.

The Board has implemented a process by the NC for assessing the effectiveness of the Board as a whole and is of the view that the performance of the Board as a whole has been satisfactory. The appraisal process focuses on the evaluation of factors such as the size and composition of the Board, the Board's access to information, the Board's processes and accountability, communication with senior Management and the Directors' standard of conduct. The NC discussed the results of the Board's performance evaluation to identify areas where improvements were necessary and made recommendations to the Board for action to be taken. Each member of the NC has abstained from voting on any resolutions in respect of the assessment of his performance or re-nomination as a Director.

PRINCIPLE 6: 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 Group's Executive Management. Detailed Board papers are prepared for each meeting of the Board. 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. Board members have separate and independent access to Management.

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.

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.

REMUNERATION MATTERS

PRINCIPLE 7: PROCEDURES FOR DEVELOPING REMUNERATION POLICIES
PRINCIPLE 8: LEVEL AND MIX OF REMUNERATION

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

Mr. Wong Ngiam Jih (Chairman)
Mr. Ong Kian Min
Mr. Leow Ban Tat

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

1. review and recommend to the Board a framework of remuneration and associated matters of the key management personnel;
2. review and determine the remuneration package and associated matters of each Executive Director;
3. review and recommend to the members of the Company the remuneration and associated matters of the Non-Executive Directors of the Company; and
4. oversee the administration of the Penguin Share Performance Plan, if appropriate.

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.

The Executive Directors' remuneration packages are based on the performance of the Group and the individual. Executive Directors do not receive Directors' fees. Non-Executive Directors are paid Directors' fees, determined by the Board based on their effort, time spent and responsibilities. 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.

Each Executive Director has entered into separate service agreements with the Company.

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.

PRINCIPLE 9: DISCLOSURE OF REMUNERATION

The Board supports and is aware of the need for transparency. However, after deliberation and debate, the Board is of the view that 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 and therefore shareholders. 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.

Details of remuneration and benefits of Directors and key management personnel for the financial year ended 31 December 2016 which will provide sufficient overview of the remuneration of Directors and key management personnel are set out below:-

	Directors' Fees* %	Salary %	Bonus %	Other benefits %	Total %
Executive Directors					
Between $250,000 and $500,000					
James Tham Tuck Choong	—	91	—	9	100
Tung May Fong	—	100	—	—	100
Below $250,000					
Jeffrey Hing Yih Peir	—	100	—	—	100
Non-Executive Directors					
Below $100,000					
Ong Kian Min	100	—	—	—	100
Wong Ngiam Jih	100	—	—	—	100
Leow Ban Tat	100	—	—	—	100

** Directors' Fees are subject to shareholders' approval at the AGM to be held on 27 April 2017.*

Key Management Personnel

Given the highly competitive industry conditions and in the interest of maintaining good morale and a strong spirit of teamwork within the Group, the disclosure relating to the remuneration of the top key management personnel (who are not Directors) of the Group in bands of $250,000 is set out below. Their profiles are found on pages 18 to 19 of this Report.

Remuneration Band	No. of Key Management Personnel
Below $250,000	6

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 $50,000 and $100,000 for the financial year ended 31 December 2016.

ACCOUNTABILITY & AUDIT

PRINCIPLE 10: ACCOUNTABILITY

The Board provides shareholders with financial statements for the first three quarters and full year within the timeframe in line with Rule 705 of the Listing Manual of SGX-ST. In presenting the annual and quarterly financial statements to shareholders, the Board aims to provide shareholders with a balanced and clear assessment of the Group's performance, financial position and prospects.

Management provides the Board with appropriately detailed management accounts of the Group's performance, position, prospects on a regular basis. The Board is mindful of its obligation to release timely and fair disclosure of material information and does not practise selective disclosure. In line with continuous disclosure obligations of the Company, the SGX-ST's Listing Rules and the Singapore Companies Act, Cap. 50, the Board's policy is that all shareholders should be informed in a timely and equal manner of all major developments that impact the Group.

PRINCIPLE 11: RISK MANAGEMENT AND INTERNAL CONTROLS
PRINCIPLE 13: INTERNAL AUDIT

As the Group does not have a risk management committee, the Board, AC and Management assume the responsibility of the risk management function. Management regularly reviews the Group's business and operational activities to identify areas of significant business risks as well as appropriate measures to control and mitigate these risks. The Management reviews all significant control policies and procedures and highlights all significant matters to the Board and the AC.

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. During the year, the AC reviewed the effectiveness of the Company's internal control procedures.

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 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 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.

Assurance has been received from the Managing Director and Finance Director at the financial year-end (a) 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 Company's risk management and internal control systems in place are effective.

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, addressing the financial, operational and 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.

PRINCIPLE 12: AUDIT COMMITTEE

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

Mr. Ong Kian Min (Chairman)
Mr. Wong Ngiam Jih
Mr. Leow Ban Tat

The profiles of each AC members are set out on page 17 of this Annual Report. The Board is of the view that the members of the AC have the requisite financial management knowledge, expertise and experience to discharge their responsibilities properly.

The AC assists the Board in maintaining a high standard of corporate governance particularly by providing an independent review of the effectiveness of the financial reporting system, management of financial, operational and compliance and information technology controls and monitoring of the internal control systems.

The AC is guided by written terms of reference approved by the Board and meets every quarter and as and when necessary to carry out the following functions:

1. review the scope, audit plans, results and effectiveness of the external and internal auditors;
2. evaluate the adequacy of the internal control systems of the Group by reviewing written reports from the internal and external auditors, and Management's responses and actions to correct any deficiencies;
3. review any appraisal or assessment of the performance of members of the internal audit function;
4. review significant risks or exposures with Management and the external and internal auditors and assess the steps Management has taken to minimise such risks to the Group's assets;
5. review the independence of the external auditors annually;
6. review the external auditor's Management letter and Management's response;
7. review the annual and quarterly financial statements and announcements to shareholders to ensure compliance with accounting standards and other legal requirements before submission to the Board for adoption;
8. review related party transactions as may be required by the regulatory authorities or the provisions of the Companies Act; and
9. consider other matters as requested by the Board.

The external auditors have 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.

In performing its functions, the AC meets with the internal and external auditors, without the presence of Management, to review and discuss findings, problems and reservations arising from their respective audits at least annually.

To keep abreast of the changes in accounting standards and issues which have a direct impact on financial statements, advice is sought from the external auditors when they attend the AC Meetings half yearly.

The AC confirms that it has reviewed the fees and scope of all non-audit services, which comprise tax compliance and tax advisory services, provided by the external auditors, and is of the view that the nature and extent of the non-audit services does not prejudice the independence and objectivity of the external auditors. The fees payable to the external auditors are disclosed on page 70 of this Annual Report.

In appointing the audit firms for the Group, the AC is satisfied that the Company has complied with Listing Rules 712 and 715. The AC recommends to the Board the re-appointment of Ernst & Young LLP as the external auditor of the Group at the forthcoming AGM.

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 2016 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
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 impairment of property, plant and equipment as a key audit matter in their report for the year ended 31 December 2016. This is in pages 39 to 40 of the Annual Report.
Valuation of inventories	The AC considered the approach and methodology applied to the valuation of inventories which comprise the Group's vessels available for sale. The AC discussed the above with the external auditors and reviewed the reasonableness of key estimates and assessments used by management, and was satisfied that these were appropriate. The external auditors have included the valuation of inventories as a key audit matter in their report for the year ended 31 December 2016. This is in page 40 of the Annual Report.

COMMUNICATION WITH SHAREHOLDERS

PRINCIPLE 14: SHAREHOLDERS' RIGHTS
PRINCIPLE 15: COMMUNICATION WITH SHAREHOLDERS
PRINCIPLE 16: CONDUCT OF SHAREHOLDERS MEETINGS

The Group respects the equal information rights of all shareholders and is committed to the practice of fair, transparent and timely disclosure to shareholders in line with continuous disclosure obligations with the Listing Manual of the SGX-ST.

Communication with shareholders and the public is maintained through regular dissemination of information such as announcements on quarterly and full year results, press releases on the SGXNet and the Company's corporate website.

All shareholders of the Company receive reports or circulars of the Company including notices of general meetings by post within the mandatory period. Notices of general meetings are also advertised in newspapers and available on the SGX-ST's website.

All registered shareholders of the Company are invited and encouraged to attend and vote at general meetings. Every matter requiring shareholders' approval is proposed as a separate resolution. Each item of special business included in the notice of meeting is accompanied, where appropriate, by an explanation for the proposed resolution. Proxy form is 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 (Chapter 50), 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. Participation of shareholders is encouraged at the AGM through the open question and answer session. The Directors, Management and the external auditor will be available to address any queries or concerns on matters relating to the Company. Meanwhile, 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.

For greater transparency, the Company will be implementing voting by poll at the coming AGM. This entails shareholders being invited to vote on each resolution by poll thereby allowing all shareholders present or represented at the meeting to vote on a one share, one vote basis. The voting result of all votes cast for, or against, each resolution is then announced at the meeting. 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.

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 operation and cash flow, 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.

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 aggregate value of transactions conducted with the following interested persons pursuant to the IPT Mandate was not material (less than S$100,000) during the financial year ended 31 December 2016:

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

There were no other interested person transactions (excluding transactions less than S$100,000) during the financial year ended 31 December 2016.

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 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.

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.

OTHER DISCLOSURE REQUIREMENTS

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

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 (the "Group") and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2016.

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 2016 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
Wong Ngiam Jih
Leow Ban Tat

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' 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 2017**	**At the beginning of financial year**	**At the end of the financial year**	**At 21 January 2017**
The Company						
Penguin International Limited (Ordinary shares)						
Jeffrey Hing Yih Peir	–	–	–	130,000,649	43,333,549*	43,333,549
James Tham Tuck Choong	2,000,000	666,666*	666,666	–	–	–
Tung May Fong	154,500	51,500*	51,500	–	–	–

*On 2 June 2016, the Company completed a share consolidation exercise in which every 3 existing ordinary shares registered in the name of each shareholder have been consolidated into 1 consolidated share, after disregarding any fractions of consolidated shares arising from share consolidation.

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 (continued)

AUDITOR

Ernst & Young LLP have expressed their willingness to accept re-appointment as auditor.

On behalf of the Board of Directors,

James Tham Tuck Choong
Director

Tung May Fong
Director

23 March 2017

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
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 2016, 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 Financial Reporting Standards in Singapore (FRSs) 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 2016 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.

Impairment of property, plant and equipment

The carrying amount of the Group's motor launches as at 31 December 2016 amounted to S$82 million. A decrease in vessel utilization rates and charter revenue, weakness in the offshore marine industry and overall operating losses incurred by the Group's charter operations have resulted in indications of impairment of the Group's motor launches. For this reason the management subjected its fleet of underperforming motor launches to an impairment test.

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 triggering events for indication of impairment of motor launches.

- We considered if management's determination of recoverable amount is based on the higher of fair value less costs to sell and value in use.

KEY AUDIT MATTERS (continued)

Impairment of property, plant and equipment (continued)

- For motor launches where the estimated disposal value (fair value less costs to sell) was determined by an independent valuer, we evaluated the work of the independent valuer by 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 fair value less costs to sell was estimated by management based on their previous experience on sale of similar models, we tested the reasonableness of key estimates used by management in the assessment by comparing the estimated disposal value to historical sale prices or current contracted sales prices. We also performed sensitivity analysis on changes in the estimated selling prices.

The disclosures relating to motor launches are included in Note 14 to the financial statements.

Valuation of inventories

The carrying amount of the Group's finished goods and work-in-progress as at 31 December 2016 amounted to S$40 million. The decrease in demand for the Group's vessels, lower selling prices and a build-up of inventories have resulted in the risk that the Group's inventories of vessels may not be stated at the lower of cost or net realizable value.

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

- For inventory with contracted and/or subsequent sales, we verified the sales prices to sale agreements, invoices and delivery documents.

- For inventory with no subsequent sales, we evaluated management's assessment of estimated net realizable value based on the estimated disposal value (fair value less costs to sell) determined 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.

The disclosures relating to inventories are included in Note 18 to the financial statements.

OTHER INFORMATION

Management is responsible for the 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 FRSs, 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.

RESPONSIBILITIES OF MANAGEMENT AND DIRECTORS FOR THE FINANCIAL STATEMENTS (continued)

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.

- 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.

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
TO THE MEMBERS OF PENGUIN INTERNATIONAL LIMITED (continued)

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (continued)

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 Lim Tze Yuen.

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore

23 March 2017

CONSOLIDATED INCOME STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Note	2016 $'000	2015 $'000
Continuing operations			
Revenue	4	**33,405**	119,854
Cost of sales		**(18,678)**	(81,362)
Gross profit		**14,727**	38,492
Other income	5	**3,248**	16,869
Marketing and distribution costs		**(219)**	(266)
Administrative expenses	6	**(11,879)**	(19,221)
Other operating expenses	7	**(13,105)**	(8,686)
Finance costs	8	**(486)**	(438)
Interest income	8	**237**	170
(Loss)/profit before tax from continuing operations	10	**(7,477)**	26,920
Tax credit/(expense)	11	**1,046**	(5,713)
(Loss)/profit from continuing operations, net of tax		**(6,431)**	21,207
Discontinued operation			
Profit from discontinued operation, net of tax	12	**–**	10
(Loss)/profit for the year		**(6,431)**	21,217
Attributable to:			
Owners of the Company			
(Loss)/profit from continuing operations, net of tax		**(6,431)**	21,207
Profit from discontinued operation, net of tax	12	**–**	10
(Loss)/profit for the year attributable to owners of the Company		**(6,431)**	21,217
Non-controlling interests			
Profit from continuing operations, net of tax		**–**	–
Profit from discontinued operation, net of tax	12	**–**	–
Profit for the year attributable to non-controlling interests		**–**	–
(Loss)/profit for the year		**(6,431)**	21,217
(Loss)/earnings per share from continuing operations attributable to owners of the Company (cents per share)			
- Basic	13(a)	**(2.92)**	9.63
- Diluted	13(a)	**(2.92)**	9.63
(Loss)/earnings per share (cents per share)			
- Basic	13(b)	**(2.92)**	9.64
- Diluted	13(b)	**(2.92)**	9.64

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 2016

	2016 $'000	2015 $'000
(Loss)/profit for the year	**(6,431)**	21,217
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss		
Net effect of exchange differences arising on quasi capital non-trade amount due from subsidiaries	**1,946**	(924)
Foreign currency translation	**746**	(424)
Other comprehensive income for the year, net of tax	**2,692**	(1,348)
Total comprehensive income for the year	**(3,739)**	19,869
Total comprehensive income for the year attributable to:		
Owners of the Company	**(3,739)**	19,869
Non-controlling interests	**–**	–
Total comprehensive income for the year	**(3,739)**	19,869
Total comprehensive income for the year attributable to owners of the company:		
Total comprehensive income from continuing operations, net of tax	**(3,739)**	19,859
Total comprehensive income from discontinued operation, net of tax	**–**	10
Total comprehensive income for the year	**(3,739)**	19,869

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

BALANCE SHEETS

AS AT 31 DECEMBER 2016

	Note	Group 2016 $'000	Group 2015 $'000	Company 2016 $'000	Company 2015 $'000
Non-current assets					
Property, plant and equipment	14	**104,405**	106,800	**11,284**	14,241
Investment in subsidiaries	15	**–**	–	**25,535**	25,535
Loan to a subsidiary	21	**–**	–	**61,913**	61,913
Other investments	16	**–**	–	**–**	–
Intangible asset	17	**78**	78	**–**	–
Trade receivables	19	**1,876**	–	**–**	–
Other receivables	20	**2,708**	–	**–**	–
Current assets					
Inventories	18	**40,187**	53,427	**–**	–
Trade receivables	19	**8,058**	4,634	**928**	1,579
Other receivables and deposits	20	**4,230**	2,476	**105**	97
Prepayments		**338**	471	**125**	113
Loans to subsidiaries	21	**–**	–	**32,801**	6,870
Fixed deposits	22	**12,019**	27,280	**8,549**	27,280
Cash and bank balances	22	**6,656**	10,017	**2,709**	2,183
		71,488	98,305	**45,217**	38,122
Assets classified as held for sale	14	**6,251**	–	**–**	–
		77,739	98,305	**45,217**	38,122
Current liabilities					
Trade payables	23	**8,523**	10,989	**143**	101
Other payables and accruals	24	**17,147**	16,834	**2,052**	4,001
Provisions	25	**641**	188	**–**	–
Due to customers for contract work-in-progress	26	**409**	2,322	**–**	–
Deferred revenue	27	**160**	188	**160**	188
Provision for income tax		**36**	5,651	**5**	20
Term loans	28	**3,360**	3,360	**–**	–
Deposits from subsidiaries	21	**–**	–	**28,023**	23,226
		30,276	39,532	**30,383**	27,536
Net current assets		**47,463**	58,773	**14,834**	10,586
Non-current liabilities					
Deferred tax liabilities	30	**3,702**	4,138	**1,409**	1,713
Provisions	25	**169**	104	**104**	104
Term loans	28	**6,620**	9,980	**–**	–
Net assets		**146,039**	151,429	**112,053**	110,458
Equity attributable to owners of the Company					
Share capital	31	**94,943**	94,943	**94,943**	94,943
Retained earnings		**55,174**	63,256	**17,110**	15,515
Other reserves	32	**(4,078)**	(6,770)	**–**	–
Total equity		**146,039**	151,429	**112,053**	110,458

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 2016

	Attributable to owners of the Company			
	Share capital $'000	Other reserves $'000	Retained earnings $'000	Total $'000
Group				
2016				
Opening balance at 1 January 2016	94,943	(6,770)	63,256	151,429
Loss for the year	–	–	(6,431)	(6,431)
Other comprehensive income				
Net effect of exchange differences arising on quasi capital non-trade amount due from subsidiaries	–	1,946	–	1,946
Foreign currency translation	–	746	–	746
Other comprehensive income for the year, net of tax	–	2,692	–	2,692
Total comprehensive income for the year	–	2,692	(6,431)	(3,739)
Dividends (Note 36)	–	–	(1,651)	(1,651)
Closing balance at 31 December 2016	94,943	(4,078)	55,174	146,039

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

	Attributable to owners of the Company			
	Share capital $'000	Other reserves $'000	Retained earnings $'000	Total $'000
Group				
2015				
Opening balance at 1 January 2015	94,943	(5,422)	48,644	138,165
Profit for the year	–	–	21,217	21,217
Other comprehensive income				
Net effect of exchange differences arising on quasi capital non-trade amount due from subsidiaries	–	(924)	–	(924)
Foreign currency translation	–	(424)	–	(424)
Other comprehensive income for the year, net of tax	–	(1,348)	–	(1,348)
Total comprehensive income for the year	–	(1,348)	21,217	19,869
Dividends (Note 36)	–	–	(6,605)	(6,605)
Closing balance at 31 December 2015	94,943	(6,770)	63,256	151,429

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 2016 (continued)

	Share capital $'000	Retained earnings $'000	Total equity $'000
Company			
2016			
Opening balance at 1 January 2016	94,943	15,515	110,458
Total comprehensive income for the year	–	3,246	3,246
Dividends (Note 36)	–	(1,651)	(1,651)
Closing balance at 31 December 2016	94,943	17,110	112,053
2015			
Opening balance at 1 January 2015	94,943	(11,649)	83,294
Total comprehensive income for the year	–	33,769	33,769
Dividends (Note 36)	–	(6,605)	(6,605)
Closing balance at 31 December 2015	94,943	15,515	110,458

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 2016

	Note	2016 $'000	2015 $'000
Operating activities			
(Loss)/profit before tax from continuing operations		**(7,477)**	26,920
Profit before tax from discontinued operation		**–**	10
(Loss)/profit before tax, total		**(7,477)**	26,930
Adjustments for:			
Depreciation of property, plant and equipment		**8,682**	10,682
Gain on disposal of property, plant and equipment		**(1,215)**	(4,069)
Interest expense		**458**	397
Interest income		**(237)**	(170)
Property, plant and equipment written off		**–**	59
Impairment of property, plant and equipment and inventories		**5,190**	370
Allowance for doubtful debts (Trade), net		**–**	453
Allowance for doubtful debts (Non-trade)		**–**	2
Net fair value gain on derivatives		**–**	(2,423)
Provision for employee retirement benefits		**63**	–
Provision for warranty claims on shipbuilding contracts, net		**526**	39
Currency alignment		**826**	(2,150)
Operating cash flows before changes in working capital		**6,816**	30,120
Inventories		**(1,122)**	3,350
Trade receivables		**(5,300)**	9,416
Other receivables, deposits and prepayments		**(3,677)**	6,785
Trade payables		**(2,466)**	(2,875)
Other payables and accruals		**313**	(19,407)
Provisions		**(73)**	(291)
Due to customers for contract work-in-progress		**(1,913)**	1,185
Deferred revenue		**(28)**	(19)
Cash flows (used in)/from operations		**(7,450)**	28,264
Interest paid		**(458)**	(397)
Interest received		**237**	170
Income taxes paid, net		**(5,662)**	(5,603)
Net cash flows (used in)/generated from operating activities		**(13,333)**	22,434

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 2016 (continued)

	Note	2016 $'000	2015 $'000
Investing activities			
Proceeds from disposal of property, plant and equipment		**5,312**	13,670
Additions to property, plant and equipment		**(5,738)**	(43,196)
Net cash flows used in investing activities		**(426)**	(29,526)
Financing activities			
Proceeds from term loans		**–**	15,800
Repayment of term loans		**(3,360)**	(2,460)
Increase in pledged deposits with licensed bank		**–**	(288)
Dividends paid		**(1,651)**	(6,605)
Net cash flows (used in)/generated from financing activities		**(5,011)**	6,447
Net decrease in cash and cash equivalents		**(18,770)**	(645)
Effect of exchange rate changes on cash and cash equivalents		**148**	281
Cash and cash equivalents at 1 January		**37,009**	37,373
Cash and cash equivalents at 31 December	22	**18,387**	37,009

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 2016

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 owners, operators of passenger ferries and launches, and investment holding. The principal activities of the subsidiaries are disclosed in Note 15 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 ("FRS").

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 Standards Council announced on 29 May 2014 that Singapore incorporated companies listed on the Singapore Exchange will apply a new financial reporting framework identical to the International Financial Reporting Standards. The Group will adopt the new financial reporting framework on 1 January 2018.

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 January 2016. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Standards issued but not yet effective

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

Description	Effective for annual periods beginning on or after
Amendments to FRS 7 Disclosure Initiative	1 January 2017
Amendments to FRS 12 Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
Improvements to FRSs (December 2016)	
- Amendments to FRS 112 Classifications of the Scope of the Standard	1 January 2017
- Amendments to FRS 28 Measuring an Associate or Joint Venture at fair value	1 January 2018
Amendments to FRS 40 Transfers of Investment Property	1 January 2018
FRS 115 Revenue from Contracts with Customers	1 January 2018
Amendments to FRS 115: Clarifications to FRS 115 Revenue from Contracts with Customers	1 January 2018
FRS 109 Financial Instruments	1 January 2018
Amendments to FRS 102 Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to FRS 104 Applying FRS 109 Financial Instruments with FRS 104 Insurance Contracts	1 January 2018
INT FRS 122 Foreign Currency Transactions and Advance Consideration	1 January 2018
FRS 116 Leases	1 January 2019
Amendments to FRS 110 & FRS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

Except for FRS 109, FRS 115 and FRS 116, the directors expect that the adoption of the other standards above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of FRS 109, FRS 115 and FRS 116 are described below.

FRS 109 Financial Instruments

FRS 109 introduces new requirements for classification and measurement of financial assets, impairment of financial assets and hedge accounting. Financial assets are classified according to their contractual cash flow characteristics and the business model under which they are held. The impairment requirements in FRS 109 are based on an expected credit loss model and replace the FRS 39 incurred loss model. Adopting the expected credit losses requirements will require the Group to make changes to its policy and procedures for impairment assessment.

FRS 109 is effective for annual periods beginning on or after 1 January 2018 with early application permitted. Retrospective application is required, but comparative information is not compulsory. The Group is currently assessing the impact of FRS 109 and plans to adopt the standard on the required effective date.

FRS 115 Revenue from Contracts with Customers

FRS 115 establishes a five-step model that will apply to revenue arising from contracts with customers. Under FRS 115, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in FRS 115 provide a more structured approach to measuring and recognising revenue when the promised goods and services are transferred to the customer i.e. when performance obligations are satisfied.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Standards issued but not yet effective (continued)

Key issues for the Group include identifying performance obligations, accounting for contract modifications, applying the constraint to variable consideration, evaluating significant financing components, measuring progress toward satisfaction of a performance obligation, recognising contract cost assets and addressing disclosure requirements.

Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Group is currently assessing the impact of FRS 115 and plans to adopt the new standard on the required effective date.

FRS 116 Leases

FRS 116 requires lessees to recognise most leases on balance sheets to reflect the rights to use the leased assets and the associated obligations for lease payments as well as the corresponding interest expense and depreciation charges. The standard includes two recognition exemption for lessees – leases of 'low value' assets and short-term leases. The new standard is effective for annual periods beginning on or after 1 January 2019.

The Group is currently assessing the impact of the new standard and plans to adopt the new standard on the required effective date. The Group expects the adoption of the new standard will result in increase in total assets and total liabilities, EBITDA and gearing ratio.

2.4 Basis of consolidation and business combinations

(a) Basis of consolidation

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Basis of consolidation and business combinations (continued)

(a) Basis of consolidation (continued)

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:

- De-recognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost;
- De-recognises the carrying amount of any non-controlling interest;
- De-recognises 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;
- Re-classifies 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 FRS.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. The accounting policy for goodwill is set out in Note 2.8. In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Transactions with non-controlling interests

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

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

2.6 Foreign currency

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

(a) Transactions and balances

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

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

(b) Consolidated financial statements

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

2.7 Subsidiaries

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Goodwill

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

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

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

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

2.9 Property, plant and equipment

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.9 Property, plant and equipment (continued)

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

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

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. Deferred expenditure is depreciated over a period of 4 years on a straight line basis.

2.10 Impairment of non-financial assets

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

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

The Group bases its impairment calculation on market valuations, 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 of continuing operations 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.11 Financial instruments

(a) Financial assets

Initial recognition and measurement

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

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

Subsequent measurement

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

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

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing 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 as defined by FRS 39. Derivatives, including embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Subsequent to initial recognition, financial assets 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 assets are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss include exchange differences, interest and dividend income.

(ii) Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

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 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 profit or loss.

Regular way purchase and sale of a financial asset

All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.11 Financial instruments (continued)

(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 derecognised, 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 de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

(c) Offsetting of financial instruments

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.12 Derivative financial instruments

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

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

2.13 Impairment of financial assets

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

(a) Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in profit or loss.

When the asset becomes uncollectible, the carrying amount of impaired financial assets is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

(b) Financial assets carried at cost

If there is objective evidence (such as significant adverse charges in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.14 Cash and cash equivalents

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

2.15 Inventories

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

- Finished goods and work-in-progress: costs of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. These costs are assigned on specific identification basis.

- Parts and spares: purchase costs on first-in first-out basis.

Where necessary, allowance is provided for damaged, obsolete and slow-moving items to adjust the carrying value of inventories to the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

2.16 Construction contracts

The Group principally operates fixed price contracts. Contract revenue and contract costs are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the end of the reporting period (the percentage of completion method), when the outcome of a construction contract can be estimated reliably.

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

When the outcome of a construction contract cannot be estimated reliably (principally during early stages of a contract), contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable and contract costs are recognised as expense in the period in which they are incurred.

An expected loss on the construction contract is recognised as an expense immediately when it is probable that total contract costs will exceed total contract revenue.

In applying the percentage of completion method, revenue recognised corresponds to the total contract revenue (as defined below) multiplied by the actual completion rate based on surveys of work performed and completion of physical proportion of the contract work.

Contract revenue – This corresponds to the initial amount of revenue recognised in the contract and any variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue; and they are capable of being reliably measured.

Contract costs – This include costs that relate directly to the specific contract and costs that are attributable to contract activity in general and can be allocated to the contract.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.17 Work-in-progress

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.

2.18 Deferred revenue

Deferred revenue comprises sales of ferry tickets billed in advance at the year end. Income from sales of ferry tickets will be released to revenue when passengers utilise the tickets.

2.19 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.

2.20 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.20 Provisions (continued)

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.

2.21 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 Labor Law No. 13/2003. The said additional provisions, which are unfunded, are estimated using actuarial calculations based on the report prepared by an independent firm of actuary.

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

Defined benefit costs comprise the following:

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

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

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

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

(c) Employee leave entitlement

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.22 Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

(a) *As lessee*

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability.

Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

(b) *As lessor*

Leases where the Group transfers substantially all the risks and rewards of ownerships of the asset are classified as finance leases. The carrying amount of lease asset is derecognised at the inception of the lease. The present value of the minimum lease payments receivable are recognised on the Group's balance sheet. Lease payments receivable are apportioned between the finance income and reduction of the lease receivable so as to achieve a constant rate of interest on the remaining balance of the receivable. Finance income is recognised in profit or loss.

2.23 Assets classified as held for sale and discontinued operation

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 amounts 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. A component of the Group is classified as a "discontinued operation" when the criteria to be classified as held for sale have been met or it has been disposed of and such a component represents a separate major line of business or geographical area of operations or is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations.

In profit or loss of the comparative period of the previous year, all income and expenses from discontinued operation are reported separately from income and expenses from continuing operations, down to the level of profit after taxes. The resulting profit or loss (after taxes) is reported separately in profit or loss.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.24 Revenue

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

(a) *Revenue from ferry/charter hire and repairs/maintenance*

Revenue from ferry/charter hire and repairs/maintenance is recognised upon rendering of services. Passenger fares are recognised upon completion of each voyage. The value of unused tickets is included in current liabilities as deferred revenue.

(b) *Revenue from shipbuilding*

Sale of vessels

Revenue is recognised upon transfer of significant risk and rewards of ownership of the vessels to customer, usually on delivery and acceptance of the vessels sold. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of vessels.

Construction contracts

Revenue from construction contracts is recognised by reference to the percentage of completion at the end of the reporting period. The percentage of completion is measured based on surveys of work performed and completion of physical proportion of the contract work (Note 2.16).

(c) *Interest income*

Interest income is recognised using the effective interest method.

2.25 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.25 Taxes (continued)

(b) Deferred tax (continued)

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

- where the 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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.25 Taxes (continued)

(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.

2.26 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 35, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.27 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.

Contingent liabilities and assets are not recognised on the balance sheet of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

2.28 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.29 Government grants

Government grant shall be recognised in profit or loss on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the grants are intended to compensate. Grants related to income are presented as a credit in profit or loss, under "Other income".

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

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

3.1 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements was 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 observable market prices less incremental costs of disposing the asset.

The carrying amount of the Group's property, plant and equipment at 31 December 2016 was $104,405,000 (2015: $106,800,000).

Further details of the impairment assessment of property, plant and equipment are stated in Note 14 to the financial statements.

(b) Valuation of inventories

Inventories are carried at the lower of cost and net realisable values. The estimates of net realisable value are based on the most reliable evidence available at the time the estimates are made, of the amount the inventories are reasonably expected to realise. These estimates take into consideration, among other factors, subsequent sale prices, recent comparable market transactions and industry outlook and near-term market demand for the Group's vessels.

The carrying amount of the Group's inventories at 31 December 2016 was $40,187,000 (2015: $53,427,000).

3.2 Judgments made in applying accounting policies

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

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

3.2 Judgments made in applying accounting policies (continued)

(a) Impairment of financial assets

The Group and Company assesses whether there is any objective evidence that a financial asset is impairment at each reporting date. Factors such as probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments are objective evidence of impairment. In determining whether there is objective evidence of impairment, the Group and Company considers whether there is observable data indicating that there have been significant changes in the debtor's ability or whether there have been significant changes with adverse effect in the technological, economic or legal environment in which the debtor operates in.

(b) Impairment of non-financial assets

The Group and Company assesses 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.

4. REVENUE

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

	Group	
	2016	2015
	$'000	$'000
Ferry and charter hire income	**20,967**	23,204
Income from shipbuilding	**9,803**	94,181
Income from ship repairs and maintenance	**2,635**	2,469
	33,405	119,854

5. OTHER INCOME

	Group	
	2016	2015
	$'000	$'000
Gain on disposal of property, plant and equipment	**1,215**	4,069
Scrap sales	**90**	403
Grant received	**227**	171
Settlement claim from legal case	**–**	9,663
Forfeiture of deposits from shipbuilding contracts	**1,664**	2,539
Others	**52**	24
	3,248	16,869

6. ADMINISTRATIVE EXPENSES

	Group 2016 $'000	Group 2015 $'000
Included in administrative expenses are the following:		
Audit fees:		
- Auditor of the Company	**(158)**	(185)
- Other auditors	**(26)**	(46)
Non-audit fees:		
- Auditor of the Company	**(110)**	(143)
- Other auditors	**(28)**	(95)
Depreciation of property, plant and equipment (Note 14)	**(2,022)**	(1,981)
Employee benefits expense (Note 9)	**(7,200)**	(13,096)
Legal fees	**(41)**	(762)
Professional fees	**(168)**	(181)
Property, plant and equipment written off	**–**	(59)
Operating lease expense	**(496)**	(705)
Water and electricity	**(177)**	(316)
Transportation	**(168)**	(216)

7. OTHER OPERATING EXPENSES

	Group 2016 $'000	Group 2015 $'000
Included in other operating expenses are the following:		
Depreciation of property, plant and equipment (Note 14)	**(6,029)**	(7,713)
Net foreign exchange loss	**(860)**	(1,223)
Impairment loss on property, plant and equipment (Note 14)	**(3,782)**	(370)
Impairment loss on inventories (Note 18)	**(1,408)**	–
Allowance for impairment of trade receivables from continuing operations	**–**	(469)
Allowance for impairment of other receivables	**–**	(2)
Insurance expense	**(785)**	(984)
Net fair value gain on derivatives	**–**	2,423

8. FINANCE COSTS/INTEREST INCOME

	Group 2016 $'000	Group 2015 $'000
Bank charges	**(28)**	(41)
Interest expense on term loans	**(424)**	(397)
Other finance cost	**(34)**	–
	(486)	(438)
Interest income from short term deposits and bank balances	**126**	170
Interest income from customer under deferred payment arrangement	**111**	–
	237	170

9. EMPLOYEE BENEFITS

	Group 2016 $'000	Group 2015 $'000
Wages, salaries and bonuses	**(10,271)**	(17,546)
Central Provident Fund contributions	**(1,391)**	(1,907)
Other short-term benefits	**(1,249)**	(1,967)
	(12,911)	(21,420)
Presented in:		
Administrative expenses (Note 6)	**(7,200)**	(13,096)
Cost of sales	**(5,711)**	(8,324)
	(12,911)	(21,420)

The above employee benefits include key management personnel compensation (other than independent director fees) as disclosed in Note 33(b).

10. (LOSS)/PROFIT BEFORE TAX FROM CONTINUING OPERATIONS

The following items have been included in arriving at (loss)/profit before tax from continuing operations:

	Group 2016 $'000	Group 2015 $'000
Inventories recognised as an expense in cost of sales (Note 18)	**(10,093)**	(69,532)
Provision for warranty claims, net (Note 25)	**(526)**	(39)
Operating lease expense (Note 29(b))	**(973)**	(1,243)

11. INCOME TAX CREDIT/(EXPENSE)

Major components of income tax credit/(expense)

The major components of income tax credit/(expense) for the years ended 31 December 2016 and 2015 are:

	Group	
	2016	2015
	$'000	$'000
Consolidated income statement:		
Current tax – continuing operations:		
- Current year	**(35)**	(6,045)
- Over/(under) provision in respect of previous years	**645**	(67)
Deferred tax – continuing operations:		
- Movement in temporary differences	**178**	561
- Over/(under) provision in respect of previous years	**258**	(162)
Income tax credit/(expense) recognised in profit or loss from continuing operations	**1,046**	(5,713)
Income tax attributable to discontinued operation (Note 12)	**–**	(1)
Income tax credit/(expense) recognised in the income statement	**1,046**	(5,714)

11. INCOME TAX CREDIT/(EXPENSE) (continued)

Relationship between tax credit/(expense) and accounting (loss)/profit

A reconciliation between the tax credit/(expense) and the product of accounting (loss)/profit multiplied by the applicable corporate tax rate for the years ended 31 December 2016 and 2015 is as follows:

	Group	
	2016	2015
	$'000	$'000
(Loss)/profit before tax from continuing operations	**(7,477)**	26,920
Profit before tax from discontinued operation	**–**	11
(Loss)/profit before taxation	**(7,477)**	26,931
Tax credit/(expense) at the domestic rates applicable to profits in the countries where the Group operates	**1,318**	(3,003)
Tax effect of expenses not deductible	**(528)**	(1,112)
Tax effect of income not subject to tax	**116**	204
Over/(under) provision in respect of prior year	**903**	(230)
Utilisation of deferred tax assets previously not recognised	**285**	80
Deferred tax assets not recognised	**(1,128)**	(2,227)
Enhanced tax deduction	**35**	376
Effect of partial tax exemption and tax relief	**91**	292
Others	**(46)**	(94)
Income tax credit/(expense) recognised in the income statement	**1,046**	(5,714)

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

12. DISCONTINUED OPERATION

The Group's subsidiary, Soon Tian Oon Pte Ltd ("STO") which was in the bunkering business, ceased its business activities in late financial year 2013. Accordingly, the results of STO in 2016 and 2015 are presented separately on the consolidated income statement as "Profit from discontinued operation, net of tax".

Income statement disclosures

The results of STO for the years ended 31 December are as follows:

	2016 $'000	2015 $'000
Expenses	–	(5)
Loss from operation	–	(5)
Reversal for impairment of trade receivables	–	16
Profit before tax from discontinued operation	–	11
Tax expense		
- Current tax	–	(1)
- Deferred tax	–	–
Profit from discontinued operation, net of tax attributable to equity holders of the Company	–	10

Cash flow statement disclosures

The cash flows attributable to STO are as follows:

	2016 $'000	2015 $'000
Operating	–	1
Investing	–	–
Financing	–	–
Net cash inflows	–	1

12. DISCONTINUED OPERATION (continued)

Statement of comprehensive income disclosures

No foreign currency translation has been recognised in other comprehensive income and accumulated in equity.

Earnings per share disclosures

	Group 2016	Group 2015
Earnings per share from discontinued operation attributable to owners of the Company (cent per share)		
Basic	–	–*
Diluted	–	–*

* denotes amount less than 0.01 cents

The basic and diluted earnings per share from discontinued operation are calculated by dividing the profit from discontinued operation, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares for basic earnings per share computation and weighted average number of ordinary shares for diluted earnings per share computation respectively. These profit and share data are presented in the tables in Note 13(a).

13. (LOSS)/EARNINGS PER SHARE

(a) Continuing operations

Basic earnings per share from continuing operations are calculated by dividing profit from continuing operations, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share from continuing operations are calculated by dividing profit from continuing operations, net of tax, 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.

13. (LOSS)/EARNINGS PER SHARE (continued)

(a) *Continuing operations* (continued)

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

	Group	
	2016	2015
	$'000	$'000
(Loss)/profit for the year attributable to owners of the Company	**(6,431)**	21,217
Less: Profit from discontinued operation, net of tax, attributable to owners of the Company	**–**	(10)
(Loss)/profit from continuing operations, net of tax, attributable to owners of the Company used in the computation of basic and diluted (loss)/earnings per share from continuing operations	**(6,431)**	21,207
Weighted average number of ordinary shares for basic and diluted (loss)/earnings per share computation	**220,170**	220,170*

*On 2 June 2016, the holding Company completed a share consolidation exercise in which every 3 existing ordinary shares in the capital of the Company were consolidated into 1 ordinary share ("Consolidated Share") and the issued share capital of the Company now comprises 220,169,774 Consolidated Shares, after disregarding fractional entitlements. In accordance to FRS 33, the earnings per share calculation for 2015 was adjusted retrospectively based on the number of outstanding ordinary shares after the completion of the share consolidation exercise.

(b) *(Loss)/earnings per share computation*

The basic and diluted (loss)/earnings per share are calculated by dividing the (loss)/profit for the year attributable to owners of the Company by the weighted average number of ordinary shares for basic (loss)/earnings per share computation and weighted average number of ordinary shares for diluted (loss)/earnings per share computation respectively. These (loss)/profit and share data are presented in the tables in Note 13 (a) above.

14. PROPERTY, PLANT AND EQUIPMENT

Group	Tug and barges	Leasehold buildings	Motor launches	Machinery and equipment	Office equipment	Motor vehicles	Construction in progress	Deferred drydocking expenditure	Property, plant and equipment
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cost									
At 1 January 2015	1,390	22,905	87,301	13,638	4,964	547	5,420	4,515	140,680
Additions	–	2,334	29,314	1,002	421	54	9,923	148	43,196
Transfers	–	1,980	4,509	(1,122)	–	–	(5,367)	–	–
Disposals	–	–	(10,712)	(79)	(6)	(53)	–	(149)	(10,999)
Written off	–	–	–	–	(71)	–	–	(1,084)	(1,155)
Net exchange difference	(5)	(257)	744	(17)	(7)	(2)	(53)	(4)	399
At 31 December 2015 and 1 January 2016	1,385	26,962	111,156	13,422	5,301	546	9,923	3,426	172,121
Additions	55	5	–	45	88	–	5,370	175	5,738
Transfers from inventories	–	–	12,954	–	–	–	–	–	12,954
Transfers	–	–	15,293	–	–	–	(15,293)	–	–
Disposals	–	–	(7,561)	(773)	(71)	(67)	–	(699)	(9,171)
Written off	–	–	–	–	(3)	–	–	–	(3)
Transfers to assets held for sale	–	–	(15,151)	(547)	–	–	–	(1,983)	(17,681)
Net exchange difference	10	628	1,829	116	18	4	–	(2)	2,603
At 31 December 2016	1,450	27,595	118,520	12,263	5,333	483	–	917	166,561

14. PROPERTY, PLANT AND EQUIPMENT (continued)

Group (cont'd)	Tug and barges $'000	Leasehold buildings $'000	Motor launches $'000	Machinery and equipment $'000	Office equipment $'000	Motor vehicles $'000	Construction in progress $'000	Deferred drydocking expenditure $'000	Property, plant and equipment $'000
Accumulated depreciation and impairment loss									
At 1 January 2015	545	8,517	34,172	7,816	3,311	498	–	2,000	56,859
Charge for the year	28	1,431	7,141	544	534	16	–	988	10,682
Disposals	–	–	(1,223)	(58)	(4)	(53)	–	(60)	(1,398)
Impairment loss for the year	–	–	370	–	–	–	–	–	370
Written off	–	–	–	–	(12)	–	–	(1,084)	(1,096)
Net exchange difference	–	–	125	(219)	–	–	–	(2)	(96)
At 31 December 2015 and 1 January 2016	573	9,948	40,585	8,083	3,829	461	–	1,842	65,321
Charge for the year	28	1,467	5,487	514	532	23	–	631	8,682
Disposals	–	–	(4,376)	(171)	(70)	(67)	–	(390)	(5,074)
Impairment loss for the year	–	–	3,782	–	–	–	–	–	3,782
Written off	–	–	–	–	(3)	–	–	–	(3)
Transfers to asset held for sale	–	–	(9,705)	(36)	–	–	–	(1,689)	(11,430)
Net exchange difference	2	128	708	27	12	2	–	(1)	878
At 31 December 2016	603	11,543	36,481	8,417	4,300	419	–	393	62,156
Net carrying amount									
At 31 December 2015	812	17,014	70,571	5,339	1,472	85	9,923	1,584	106,800
At 31 December 2016	847	16,052	82,039	3,846	1,033	64	–	524	104,405

14. PROPERTY, PLANT AND EQUIPMENT (continued)

Company	Leasehold buildings $'000	Motor launches $'000	Machinery and equipment $'000	Office equipment $'000	Motor vehicles $'000	Deferred drydocking expenditure $'000	Property, plant and equipment $'000
Cost							
At 1 January 2015	13,253	23,298	1,268	2,239	147	2,297	42,502
Additions	76	–	8	282	–	–	366
Written off	–	–	–	(71)	–	(713)	(784)
At 31 December 2015 and 1 January 2016	13,329	23,298	1,276	2,450	147	1,584	42,084
Additions	2	–	2	60	–	–	64
Disposals	–	(3,602)	(696)	(9)	(38)	(724)	(5,069)
At 31 December 2016	13,331	19,696	582	2,501	109	860	37,079
Accumulated depreciation and impairment loss							
At 1 January 2015	6,537	15,600	130	1,196	147	981	24,591
Charge for the year	793	2,303	134	323	–	424	3,977
Written off	–	–	–	(12)	–	(713)	(725)
At 31 December 2015 and 1 January 2016	7,330	17,903	264	1,507	147	692	27,843
Charge for the year	795	641	96	322	–	308	2,162
Disposals	–	(3,602)	(157)	(9)	(38)	(404)	(4,210)
At 31 December 2016	8,125	14,942	203	1,820	109	596	25,795
Net carrying amount							
At 31 December 2015	5,999	5,395	1,012	943	–	892	14,241
At 31 December 2016	5,206	4,754	379	681	–	264	11,284

14. PROPERTY, PLANT AND EQUIPMENT (continued)

Assets under construction

In 2015, the Group's property, plant and equipment included $9,923,000 which relates to expenditure for motor launches in the course of construction. The motor launches were completed and transferred to motor launches during the year.

Assets pledged as security

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

	Group		Company	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
Motor launches	**24,370**	26,770	**4,751**	5,392

Impairment 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. Impairment losses amounting to $3,782,000 (2015: $370,000) from continuing operations in relation to motor launches (2015: a motor launch) have been recognised in "other operating expenses" line item of the consolidated income statement. The recoverable amounts of the motor launches from continuing operations in 2016 were based on management's estimate of their respective fair values less costs to sell, which were determined based on valuations performed by an independent valuer.

Changes in estimates

In prior year, the Group conducted an operational efficiency review on its fleet of ferries included in the Group's motor launches. The Group revised the estimated useful lives of the ferries from twenty to fifteen years. The revision in estimate was applied on a prospective basis from 1 January 2015. The effect of the above revision on depreciation charge in current and future periods is as follows:

	Group	
	2016	**2017**
	$'000	**$'000**
Increase in depreciation expense	**222**	**222**

Assets held for sale

As at 31 December 2016, the Group has entered into sale agreements for the disposal of certain motor launches. Accordingly, the carrying amounts of these vessels were classified as assets held for sale.

	Group	
	2016	2015
	$'000	$'000
Assets held for sale	**6,251**	–

15. INVESTMENT IN SUBSIDIARIES

	Company	
	2016	2015
	$'000	$'000
Unquoted equity shares, at cost	**32,476**	32,476
Impairment loss	**(6,941)**	(6,941)
Total investment in subsidiaries	**25,535**	25,535

An analysis of movement in impairment loss on investment in subsidiaries is as follows:

At beginning of year	**6,941**	6,754
Allowance for impairment loss	**–**	187
At end of year	**6,941**	6,941

Name	Principal activities	Country of incorporation	Ownership interest held by the Company		Cost of investment	
			2016	**2015**	**2016**	**2015**
			%	**%**	**$'000**	**$'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

15. INVESTMENT IN SUBSIDIARIES (continued)

Name	Principal activities	Country of incorporation	Ownership interest held by the Company 2016 %	2015 %	Cost of investment 2016 $'000	2015 $'000
Held by the Company						
Penguin Marine Services Pte Ltd[1]	Provision of project management services	Singapore	**100**	100	**500**	500
Pelican Ship Management Servies Pte Ltd[1]	Provision of ship management 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[4]	Dormant	Singapore	**100**	100	**5,003**	5,003
					32,476	32,476

Name	Principal activities	Country of incorporation	Ownership interest held by subsidiaries 2016 %	2015 %
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[1]	Management and operation of Flex crewboats	Singapore	100	100
Pelican Offshore Malaysia Corp[2] [3]	Management and operation of Flex crewboats	Malaysia	49	49

15. INVESTMENT IN SUBSIDIARIES (continued)

Name	Principal activities	Country of incorporation	Ownership interest held by subsidiaries 2016 %	2015 %
Held through subsidiaries				
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 Bold Pte Ltd[4]	Dormant	Singapore	**100**	100
POS Brave Pte Ltd[4]	Dormant	Singapore	**100**	100
POS Glow Pte Ltd[1]	Management and operation of Flex crewboats	Singapore	**100**	100
POS Bless Pte Ltd[4]	Dormant	Singapore	**100**	100
Penguin Transporter Pte Ltd[1]	Management and operation of Landing Craft	Singapore	**100**	100
Victory Marine Services Sdn Bhd[5]	Dormant	Malaysia	**70**	–

(1) Audited by Ernst & Young LLP, Singapore.

(2) Audited by a member firm of Ernst & Young Global.

(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.

(5) The Company was incorporated in November 2016 with the first financial year ending 31 December 2017.

16. OTHER INVESTMENTS

	Group 2016 $'000	2015 $'000	Company 2016 $'000	2015 $'000
Unquoted equity shares	**287**	287	**287**	287
Impairment loss	**(287)**	(287)	**(287)**	(287)
	–	–	**–**	–

17. INTANGIBLE ASSET

	Goodwill $'000
Group	
Cost	
At 1 January 2015, 31 December 2015, 1 January 2016 and 31 December 2016	291
Accumulated impairment loss	
At 1 January 2015, 31 December 2015, 1 January 2016 and 31 December 2016	(213)
Net carrying amount	
At 31 December 2015 and 31 December 2016	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 assessed to be required for the financial year ended 31 December 2016 as the recoverable amount (represented by the market value of the property owned by PT Kim Seah Shipyard) was in excess of the carrying value of goodwill.

18. INVENTORIES

	Group	
	2016 $'000	2015 $'000
Balance sheet:		
Finished goods (at cost)	**19,526**	31,987
Parts and spares (at lower of cost or net realisable value)	**336**	566
Work-in-progress (at lower of cost or net realisable value)	**20,325**	20,874
	40,187	53,427
Income statement:		
Inventories recognised as an expense in cost of sales (Note10)	**10,093**	69,532
Impairment loss on inventories recognised in other operating expenses (Note 7)	**1,408**	–

19. TRADE RECEIVABLES

	Group		Company	
	2016 $'000	2015 $'000	**2016 $'000**	2015 $'000
Current:				
Trade receivables	**9,962**	6,493	**928**	1,579
Allowance for impairment loss	**(1,904)**	(1,859)	**–**	–
	8,058	4,634	**928**	1,579
Non-current:				
Trade receivables	**1,876**	–	**–**	–
Total trade receivables	**9,934**	4,634	**928**	1,579

Current trade receivables are generally on 30 days' term and are non-interest bearing, except for an amount of $1,949,000 (2015: NIL) which pertains to sale of inventory under deferred payment arrangement. They are recognised at original invoice amounts which represent their fair values on initial recognition.

Non-current trade receivables pertains to sale of inventory under deferred payment arrangement. The amount is unsecured, bears interest at 5.15% and is repayable through monthly instalments.

Included in trade receivables are amounts denominated in the following foreign currencies:

	Group		Company	
	2016 $'000	2015 $'000	**2016 $'000**	2015 $'000
United States Dollar	**319**	1,625	**–**	679
Malaysia Ringgit	**2,674**	1,893	**–**	–

Receivables that are past due but not impaired

The Group has trade receivables amounting to $2,685,000 (2015: $2,934,000) that are past due at the end of the reporting period but not impaired. These receivables are unsecured except for balances from customers amounting to $1,170,000 (2015: $1,443,000) which were secured by banker's guarantees and the analysis of their aging at the end of the reporting period is as follows:

	Group	
	2016 $'000	2015 $'000
Less than 30 days	**1,097**	1,173
30 to 60 days	**592**	383
61 to 90 days	**478**	530
More than 90 days	**518**	848
	2,685	2,934

19. TRADE RECEIVABLES (continued)

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	
	2016	2015
	$'000	$'000
Trade receivables	**1,904**	1,859
Less: Allowance for impairment loss	**(1,904)**	(1,859)
	–	–
Movement in allowance account:		
At 1 January	**1,859**	1,230
Reversal of over provision in prior years	**–**	(16)
Charge to the profit and loss account	**–**	469
Exchange difference	**45**	176
At 31 December	**1,904**	1,859

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. These receivables are not secured by any collateral or credit enhancements.

20. OTHER RECEIVABLES AND DEPOSITS

	Group		Company	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
Current:				
Financial assets				
Other receivables	**2,804**	934	**6**	15
Deposits	**274**	293	**99**	75
Insurance claims	**140**	215	**–**	7
	3,218	1,442	**105**	97
Non-financial assets				
Advance payments and deposits	**1,012**	1,034	**–**	–
Total current other receivables and deposits	**4,230**	2,476	**105**	97
Non-current:				
Financial assets				
Other receivables	**2,708**	–	**–**	–
Total other receivables and deposits	**6,938**	2,476	**105**	97

Included in current other receivables is an amount of $997,000 (2015: NIL) which pertains to sale of vessel under deferred payment arrangement.

Non-current other receivables pertains to sale of vessel under deferred payment arrangement. The amount is secured against the vessel, bears interest at 6.3% and is repayable through monthly instalments.

Included in other receivables and deposits are amounts denominated in the following foreign currencies:

	Group		Company	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
Indonesian Rupiah	**1,015**	161	**–**	–
United States Dollar	**1,378**	427	**–**	–
Malaysian Ringgit	**335**	32	**–**	–
Australian Dollar	**30**	–	**–**	–

21. LOANS TO SUBSIDIARIES/DEPOSITS FROM SUBSIDIARIES

	Company	
	2016	2015
	$'000	$'000
Loan to a subsidiary (non-current)	**61,913**	61,913
Loans to subsidiaries (current)	**32,801**	6,870
Deposits from subsidiaries (current)	**28,023**	23,226

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, bear interest of 2.12% to 2.63% (2015: 2.07% to 2.52%) per annum, has no repayment terms and is repayable only when the cash flows of the subsidiary permit.

Loans to subsidiaries (current) are unsecured, bear interest of 2.12% to 2.63% (2015: 2.07% to 2.52%) per annum and are repayable on demand. Included in loans to subsidiaries is $303,000 (2015: $71,000) denominated in United States Dollar.

Loans to subsidiaries (current) are stated after deducting an allowance for impairment loss of $30,774,000 (2015: $31,566,000).

	Company	
	2016	2015
	$'000	$'000
Movement in allowance account:		
At 1 January	**31,566**	28,909
Charge to the profit and loss account	**880**	2,035
Reversal of over provision in prior years	**(1,672)**	(180)
Exchange difference	**–**	802
At 31 December	**30,774**	31,566

Deposits from subsidiaries are unsecured, bear interest of 0.40% to 1.46% (2015: 0.57% to 1.29%) per annum and are repayable on demand. Included in deposits from subsidiaries of the Company is $13,248,000 (2015: $4,895,000) denominated in United States Dollar.

22. CASH AND BANK BALANCES

	Group		Company	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
Cash and bank balances	**6,656**	10,017	**2,709**	2,183
Fixed deposits	**12,019**	27,280	**8,549**	27,280
	18,675	37,297	**11,258**	29,463

Included in cash and bank and fixed deposits are amounts denominated in the following foreign currencies:

	Group		Company	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
United States Dollar	**5,608**	3,171	**3,168**	1,728
Indonesian Rupiah	**124**	1,049	**–**	2
Euro	**142**	694	**–**	–
Malaysian Ringgit	**2,010**	644	**–**	–

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 6 months (2015: 1 week and 6 months), mostly less than 3 months depending on the immediate cash requirements of the Group and the Company, and earn interest of 0.4% to 1.6% (2015: 0.3% to 1.6%) per annum.

Bank balances of $288,000 (2015: $288,000) 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	
	2016	2015
	$'000	$'000
Cash and bank balances		
- Continuing operations (excluding pledged bank balances)	**6,368**	9,723
- Discontinued operation	**–**	6
	6,368	9,729
Fixed deposits	**12,019**	27,280
Cash and cash equivalents	**18,387**	37,009

23. TRADE PAYABLES

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

Included in trade payables are amounts denominated in the following foreign currencies:

	Group		Company	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
Euro	**64**	470	**–**	–
United States Dollar	**1,975**	567	**–**	–
Indonesian Rupiah	**790**	2,877	**–**	–
Australian Dollar	**–**	8	**–**	–
Sterling Pound	**–**	182	**–**	–
Malaysian Ringgit	**118**	91	**–**	–

24. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
Financial liabilities				
Accrued operating expenses	**6,573**	12,685	**1,578**	2,972
Advance payments and deposits received (refundable)	**940**	1,015	**180**	792
Advance billings	**1,967**	735	**–**	59
Other payables	**509**	593	**294**	168
	9,989	15,028	**2,052**	3,991
Non-financial liabilities				
Advance payments and deposits received (non-refundable)	**7,158**	1,806	**–**	10
Total other payables and accruals	**17,147**	16,834	**2,052**	4,001

Included in other payables and accruals are amounts denominated in the following foreign currencies:

	Group		Company	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
Indonesian Rupiah	**700**	1,200	**–**	–
United States Dollar	**10,563**	3,366	**14**	912
Malaysian Ringgit	**1,252**	1,199	**–**	–
Euro	**32**	92	**–**	–
Others	**19**	15	**15**	16

25. PROVISIONS

	Group		Company	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
Current:				
Provision for warranty claims	**641**	188	**–**	–
Non-current:				
Provision for restoration cost	**104**	104	**104**	104
Provision for employee retirement benefits	**65**	–	**–**	–
	169	104	**104**	104

Provision for warranty claims

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

	Group	
	2016	2015
	$'000	$'000
At 1 January	**188**	440
Additions during the year	**625**	240
Reversals during the year	**(99)**	(201)
Utilisations during the year	**(73)**	(291)
At 31 December	**641**	188

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

Provision for restoration cost

The provision for restoration cost is recognised for expected cost required to be incurred to reinstate the leased land from Jurong Town Corporation to the original condition upon expiry of the lease in 2020. The provision is based on recent quotations from contractors. Management is of the view that the current provision is adequate to cover the cost of reinstatement.

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 2016, as determined by an independent actuary, in its report dated 31 December 2016.

25. PROVISIONS (continued)

Provision for employee retirement benefits (continued)

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

	Group 2016 $'000	Group 2015 $'000
Current service cost	**63**	–
Total defined retirement benefits expense	**63**	–
Presented in profit or loss as:		
Cost of sales	**63**	–

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

	Group 2016 $'000	Group 2015 $'000
Present value of employee benefits obligation	**65**	–

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

	Group 2016	Group 2015
Retirement age	**55**	–
Discount rate	**8%**	–
Mortality rate	**TMI 2011**	–
Method	**Projected unit credit**	–

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

	Group 2016 $'000	Group 2015 $'000
At 1 January	**–**	–
Provision made during the year	**63**	–
Foreign currency translation	**2**	–
At 31 December	**65**	–

26. DUE TO CUSTOMERS FOR CONTRACT WORK-IN-PROGRESS

	Group 2016 $'000	Group 2015 $'000
Contract costs incurred to-date	**123**	1,831
Recognised profits less recognised losses to-date	**–**	37
	123	1,868
Less: Progress billings and advances	**(532)**	(4,190)
	(409)	(2,322)
Presented as:		
Due to customers for contract work-in-progress	**(409)**	(2,322)
Advances received included in amounts due to customers for contract work-in-progress	**532**	4,190

27. DEFERRED REVENUE

	Group 2016 $'000	Group 2015 $'000	Company 2016 $'000	Company 2015 $'000
Ferry tickets billed in advance	**160**	188	**160**	188

28. TERM LOANS

	Group	
	2016	2015
	$'000	$'000
Current:		
Bank loan I	**1,000**	1,000
Bank loan II	**1,000**	1,000
Bank loan III	**1,360**	1,360
	3,360	3,360
Non-current:		
Bank loan I	**2,083**	3,083
Bank loan II	**1,250**	2,250
Bank loan III	**3,287**	4,647
	6,620	9,980
Total bank loans	**9,980**	13,340

Bank loan I
This loan bears interest of 3.12% to 3.63% (2015: 3.10% to 3.52%) and is repayable through monthly instalments.

Bank loan II
This loan bears interest of 2.70% to 3.81% (2015: 3.18% to 3.90%) and is repayable through monthly instalments.

Bank loan III
This loan bears interest of 2.89% to 4.55% (2015: 3.43% to 4.06%) and is repayable through monthly instalments.

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

(a) first mortgage over motor launches of subsidiaries;

(b) an assignment of charter earnings in respect of mortgaged motor launches;

(c) an assignment of insurance policies in respect of mortgaged motor launches; and

(d) corporate guarantee by the Company.

29. 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	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
Capital commitments in respect of shipbuilding costs	**4,290**	11,439	**–**	–
Capital commitments in respect of property, plant and equipment	**–**	3,987	**–**	–

(b) *Non-cancellable operating lease commitments – as lessee*

The Group and the Company entered into commercial leases for office premises. These leases have an average life of between 1 and 30 years with no escalation clauses included in the contracts. There are no restrictions placed upon the Group or the Company by entering into these leases. Operating lease payments including ad-hoc lease payments recognised as an expense in profit or loss during the year amounted to $973,000 (2015: $1,243,000).

Future minimum lease payments under non-cancellable operating leases as at end of the reporting period are as follows:

	Group		Company	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
Future minimum lease payments				
- not later than 1 year	**801**	922	**466**	468
- later than 1 year but not later than 5 years	**1,643**	1,938	**1,551**	1,764
- later than 5 years	**1,000**	1,255	**1,000**	1,255
	3,444	4,115	**3,017**	3,487

(c) *Non-cancellable operating lease commitments – as lessor*

The Group has entered into charter contracts on its motor launches. The non-cancellable leases have remaining lease terms of less than 5 years (2015: less than 1 year).

Future minimum lease receivables under non-cancellable operating leases as at end of the reporting period are as follows:

	Group	
	2016	2015
	$'000	$'000
Future minimum lease receivables		
- not later than 1 year	**3,616**	2,962
- later than 1 year but not later than 5 years	**1,088**	–
	4,704	2,962

29. COMMITMENTS (continued)

(d) Continuing financial support

The Company has undertaken to provide continuing financial support to thirteen (2015: fourteen subsidiaries) of its subsidiaries to enable them to operate as going concern and to meet their obligations for at least 12 months from the date of their respective directors' report relating to the 31 December 2016 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, Pelican Offshore Malaysia Corp, Flex Fleet Sdn Bhd, POS Grace Pte Ltd, POS Glow Pte Ltd, POS Victory Pte Ltd, Penguin Transporter Pte Ltd and Victory Marine Services Sdn Bhd.

30. DEFERRED TAX LIABILITIES

	Group				Company	
	Consolidated balance sheet		Consolidated income statement		Balance sheet	
	2016	2015	**2016**	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
Deferred tax liabilities						
Differences in depreciation	**(3,606)**	(4,042)	**436**	754	**(1,409)**	(1,713)
Asset revaluation reserve	**(96)**	(96)	**–**	–	**–**	–
Unabsorbed capital allowance and unutilised tax losses carried forward	**–**	–	**–**	(355)	**–**	–
	(3,702)	(4,138)	**436**	399	**(1,409)**	(1,713)

During the year, three subsidiaries (2015: four subsidiaries) transferred $5,463,487 (2015: $2,916,328) of their current year tax losses and capital allowances to be deducted against the assessable income of the Company and one subsidiary (2015: three subsidiaries) pursuant to the Group Relief Scheme, subject to compliance with the relevant rules and procedures and agreement of the Inland Revenue Authority of Singapore. The tax savings arising from the application of Group Relief amounted to approximately $928,793 (2015: $495,776).

At the balance sheet date, the Group has unutilised tax losses and capital allowances of approximately $15,492,566 (2015: $12,827,298) 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 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.

Tax consequences of proposed dividends

There are no income tax consequences attached to the dividends to the shareholders proposed by the Company but not recognised as a liability in the financial statements (Note 36).

Unrecognised temporary differences relating to investments in subsidiaries

There is no deferred tax liability (2015: 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 aggregate to $4,546,000 (2015: $15,131,000).

31. SHARE CAPITAL

	Group and Company			
	2016		2015	
	No. of shares '000	$'000	**No. of shares '000**	$'000
Ordinary shares				
Issued and fully paid				
Balance at 1 January	**660,518**	94,943	**660,518**	94,943
Effect of share consolidation	**(440,348)**	–	**–**	–
Balance at 31 December	**220,170**	94,943	**660,518**	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.

On 2 June 2016, the Company completed a share consolidation exercise to consolidate every 3 ordinary shares in the capital of the Company held by the shareholders into 1 consolidated share, so as to comply with the Minimum Trading price requirement as implemented by the SGX-ST as an additional continuing listing requirement.

The issued share capital of the Company as at 31 December 2016 comprises 220,169,774 consolidated Shares, after disregarding any fraction of consolidated shares arising from the share consolidation exercise.

32. OTHER RESERVES

	Group	
	2016	2015
	$'000	$'000
Asset revaluation reserve	**566**	566
Foreign currency translation reserve	**(4,644)**	(7,336)
	(4,078)	(6,770)

(a) Asset revaluation reserve

The asset revaluation reserve represents increases in the fair value of motor launches, net of tax prior to 2009, and decreases to the extent that such decrease relates to an increase on the same asset previously recognised in other comprehensive income.

	Group	
	2016	2015
	$'000	$'000
At 1 January and 31 December	**566**	566

The Group changed its accounting policy for property, plant and equipment from revaluation model to cost model in 2009.

32. OTHER RESERVES (continued)

(b) *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	
	2016	2015
	$'000	$'000
At 1 January	**(7,336)**	(5,988)
Net effect of exchange differences arising on quasi capital non-trade amount due from subsidiaries	**1,946**	(924)
Net effect of exchange differences arising from translation of financial statements of foreign operations	**746**	(424)
At 31 December	**(4,644)**	(7,336)

33. 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 party		Company Subsidiaries	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
Income				
Charter hire fee income	**–**	6	**1,821**	1,862
Commission income	**–**	–	**361**	331
Management fee income	**–**	–	**2,950**	3,930
Interest income	**–**	–	**1,895**	1,575
Rental income	**1**	1	**716**	716
Sale of inventory	**–**	–	**–**	2
Expense				
Project management cost	**–**	–	**(7,217)**	(6,621)
Interest expense	**–**	–	**(142)**	(180)
Ship management expense	**–**	–	**(112)**	(146)
Ship repair cost	**–**	–	**(168)**	(138)
Others				
Purchase of property, plant and equipment	**74**	–	**–**	–
Disposal of property, plant and equipment	**–**	–	**(1)**	–

33. RELATED PARTY TRANSACTIONS (continued)

(b) *Compensation of key management personnel*

	Company	
	2016	2015
	$'000	$'000
Short-term employee benefits	**2,022**	3,653
Central Provident Fund contributions	**120**	166
	2,142	3,819
Comprise amounts paid to:		
Directors fees	**167**	185
Directors of the Company	**853**	1,805
Other key management personnel	**1,122**	1,829
	2,142	3,819

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

34. GUARANTEES

(a) The Group and Company had outstanding bank guarantees amounting to approximately $402,500 (2015: $151,207) and $402,500 (2015: $151,207) respectively, in respect of the performance of charter-hire.

(b) The Company has provided corporate guarantees amounting to $27,712,000 (2015: $31,712,000) 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 $9,980,000 (2015: $13,340,000).

35. SEGMENT INFORMATION

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

(a) The ferry and charter services segment provides ferry services and chartering of motor launches.

(b) The shipbuilding and repair segment act as a builder of high speed aluminium commercial vessels and supplier of related repairs and maintenance services.

(c) The discontinued operation, Soon Tian Oon Pte Ltd ("STO") was previously classified under "Bunkering" segment, which acts as a distributor and dealer of petroleum products.

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

35. SEGMENT INFORMATION (continued)

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. Group financing (including finance costs) and income taxes are managed on a group basis and are not allocated to operating segments.

Transfer prices between operating segments are in a manner similar to transactions with third parties.

	Ferry and charter services		Shipbuilding and repair		Discontinued operation		Adjustments and eliminations		Notes	Total	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015		**2016**	2015
	$'000	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000		**$'000**	$'000
Revenue:											
Sales to external customers	**20,967**	23,204	**12,438**	96,650	**–**	–	**–**	–		**33,405**	119,854
Inter-segment sales	**–**	–	**32,582**	41,049	**–**	–	**(32,582)**	(41,049)	B	**–**	–
Total revenue	**20,967**	23,204	**45,020**	137,699	**–**	–	**(32,582)**	(41,049)		**33,405**	119,854
Results:											
Interest income	**356**	193	**20**	100	**–**	–	**(139)**	(123)	C	**237**	170
Dividend income	**–**	30,000	**–**	–	**–**	–	**–**	(30,000)	C	**–**	–
Depreciation	**6,559**	8,608	**1,328**	1,281	**–**	–	**795**	793	C	**8,682**	10,682
Impairment of property, plant and equipment and inventory	**3,782**	370	**1,408**	–	**–**	–	**–**	–		**5,190**	370
Financial expenses	**451**	459	**174**	102	**–**	–	**(139)**	(123)	C	**486**	438
Other non-cash expenses	**–**	1,086	**–**	2	**–**	(16)	**–**	(171)	A, D	**–**	901
Segment (loss)/ profit	**(955)**	33,537	**(3,506)**	31,877	**–**	11	**(3,016)**	(38,505)	E	**(7,477)**	26,920

35. SEGMENT INFORMATION (continued)

The following table presents assets, liabilities and other segment information regarding the Group's business segments for the years ended 31 December 2016 and 2015:

	Ferry and charter services		Shipbuilding and repair		Discontinued operation		Adjustments and eliminations		Notes	Total	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015		**2016**	2015
	$'000	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000		**$'000**	$'000
Assets and liabilities:											
Additions to non-current assets	**9,448**	52,644	**80**	3,076	**–**	–	**(3,790)**	(12,524)	F	**5,738**	43,196
Goodwill	**–**	–	**78**	78	**–**	–	**–**	–		**78**	78
Segment assets	**127,048**	148,378	**68,474**	89,239	**366**	470	**(9,082)**	(32,904)	G	**186,806**	205,183
Segment liabilities	**19,826**	22,409	**11,670**	31,586	**2**	103	**9,269**	(344)	H	**40,767**	53,754

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

A The amounts relating to the discontinued operation segment has been excluded to arrive at amounts shown in profit or loss as they are presented separately in the statement of comprehensive income within one line item, "Profit from discontinued operation, net of tax".

B Inter-segment revenues are eliminated on consolidation.

C Inter-segment interest income, dividend 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.

D Other non-cash expenses consist of allowance for doubtful debts and impairment of investment presented in the respective notes to the financial statements.

E The following items are deducted from segment profit to arrive at "(loss)/profit before tax from continuing operations" presented in the consolidated income statement:

	2016	2015
	$'000	$'000
Profit from inter-segment sales	**(2,221)**	(7,700)
Unallocated expenses	**(795)**	(794)
Segment results of discontinued operation	**–**	(11)
Dividend	**–**	(30,000)
	(3,016)	(38,505)

The unallocated expenses pertain mainly to depreciation of leasehold building.

35. SEGMENT INFORMATION (continued)

F The adjustments and eliminations relate to additions to leasehold building which cannot be allocated to each segment and inter-segment sales of motor launches.

G The following items are deducted from segment assets to arrive at total assets reported in the consolidated balance sheet:

	2016 $'000	2015 $'000
Inter-segment assets	**(14,289)**	(38,903)
Unallocated assets	**5,207**	5,999
	(9,082)	(32,904)

The unallocated assets pertain mainly to leasehold building.

H The following items are deducted from segment liabilities to arrive at total liabilities reported in the consolidated balance sheet:

	2016 $'000	2015 $'000
Inter-segment liabilities	**5,463**	(4,586)
Deferred tax liabilities	**3,702**	4,138
Provision for restoration cost	**104**	104
	9,269	(344)

Geographical information

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

	Group	
	2016 $'000	2015 $'000
Singapore	**20,008**	53,801
Rest of Southeast Asia	**9,594**	17,750
Africa	**16**	43,111
Russia	**2,972**	4,614
Others	**815**	578
	33,405	119,854

35. SEGMENT INFORMATION (continued)

Geographical information (continued)

In the opinion of the Directors, it would be inaccurate to analyse non-current assets and capital expenditure by geographical segment because the non-current assets comprise mainly of vessels which cannot be meaningfully allocated as the vessels can be deployed on different routes.

Information about major customers

Revenue from three (2015: three) major customers amount to $20,342,000 (2015: $74,839,000), arising from sales by the shipbuilding, ship repair and chartering segments.

36. DIVIDENDS

Paid during the financial year

Dividends on ordinary shares:

	Group and Company	
	2016 $'000	2015 $'000
- Final exempt (one-tier) dividend for 2015: 0.25 cent (2014: 0.5 cent) per share	**1,651**	3,303
- Special exempt (one-tier) dividend for 2015: NIL (2014: 0.5 cent) per share	**–**	3,302
	1,651	6,605

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

Dividends on ordinary shares, subject to shareholders' approval at the AGM:

	Group and Company	
	2016 $'000	2015 $'000
- Final exempt (one-tier) dividend for 2016: NIL (2015: 0.25 cent) per share	**–**	1,651

37. FAIR VALUE OF FINANCIAL INSTRUMENTS

(a) *Classification of financial instruments*

	Loans and receivables $'000	Financial assets/ liabilities at fair value through profit or loss $'000	Financial liabilities at amortised cost $'000	Total $'000
Group				
2016				
Assets				
Trade receivables	9,934	–	–	9,934
Other receivables and deposits	5,926	–	–	5,926
Fixed deposits	12,019	–	–	12,019
Cash and bank balances	6,656	–	–	6,656
	34,535	–	–	34,535
Liabilities				
Trade payables	–	–	8,523	8,523
Other payables and accruals	–	–	9,989	9,989
Term loans	–	–	9,980	9,980
	–	–	28,492	28,492
2015				
Assets				
Trade receivables	4,634	–	–	4,634
Other receivables and deposits	1,442	–	–	1,442
Fixed deposits	27,280	–	–	27,280
Cash and bank balances	10,017	–	–	10,017
	43,373	–	–	43,373
Liabilities				
Trade payables	–	–	10,989	10,989
Other payables and accruals	–	–	15,028	15,028
Term loans	–	–	13,340	13,340
	–	–	39,357	39,357

37. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

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

	Loans and receivables $'000	Financial liabilities at amortised cost $'000	Total $'000
Company			
2016			
Assets			
Trade receivables	928	–	928
Other receivables and deposits	105	–	105
Loans to subsidiaries	94,714	–	94,714
Fixed deposits	8,549	–	8,549
Cash and bank balances	2,709	–	2,709
	107,005	–	107,005
Liabilities			
Trade payables	–	143	143
Other payables and accruals	–	2,052	2,052
Deposits from subsidiaries	–	28,023	28,023
	–	30,218	30,218
2015			
Assets			
Trade receivables	1,579	–	1,579
Other receivables and deposits	97	–	97
Loans to subsidiaries	68,783	–	68,783
Fixed deposits	27,280	–	27,280
Cash and bank balances	2,183	–	2,183
	99,922	–	99,922
Liabilities			
Trade payables	–	101	101
Other payables and accruals	–	3,991	3,991
Deposits from subsidiaries	–	23,226	23,226
	–	27,318	27,318

37. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

(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.

The Group has no financial instruments which are carried at fair value as at 31 December 2016 and 2015.

(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, 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.

38. 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.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(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 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 receivables on an on-going basis. The credit risk concentration profile of the Group's trade receivables at the balance sheet date is as follows:

	Group			
	2016		2015	
	$'000	**%**	$'000	%
By country:				
Malaysia	**2,690**	**28**	2,418	52
Singapore	**6,941**	**70**	1,086	23
India	**–**	**–**	678	15
Rest of Southeast Asia	**41**	**NM**	452	10
Africa	**130**	**1**	–	–
Russia	**132**	**1**	–	–
	9,934	**100**	4,634	100
By industry sectors:				
Ferry and charter services	**3,791**	**38**	4,354	94
Shipbuilding and repair	**6,143**	**62**	280	6
	9,934	**100**	4,634	100

At the end of the reporting period:

- Approximately 83% (2015: 61%) of the Group's trade receivables were due from three (2015: four) major customers consisting of multi-industry conglomerates located in various countries.
- Approximately 95% (2015: 77%) of the Company's trade receivables were due from two (2015: two) major customers consisting of a government ministry and a multinational corporation.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(a) *Credit risk* (continued)

Financial assets that are neither past due nor impaired

Trade and other receivables 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 19.

(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.

	1 year or less $'000	1 to 5 years $'000	Over 5 years $'000	Total $'000
Group				
2016				
Financial liabilities				
Trade payables	8,523	–	–	8,523
Other payables and accruals	9,989	–	–	9,989
Term loans	3,657	6,856	–	10,513
Total undiscounted financial liabilities	22,169	6,856	–	29,025
2015				
Financial liabilities				
Trade payables	10,989	–	–	10,989
Other payables and accruals	15,028	–	–	15,028
Term loans	3,780	10,517	–	14,297
Total undiscounted financial liabilities	29,797	10,517	–	40,314

(b) *Liquidity risk* (continued)

	1 year or less $'000	1 to 5 years $'000	Over 5 years $'000	Total $'000
Company				
2016				
Financial liabilities				
Trade payables	143	–	–	143
Other payables and accruals	2,052	–	–	2,052
Deposits from subsidiaries	28,283	–	–	28,283
Total undiscounted financial liabilities	30,478	–	–	30,478
2015				
Financial liabilities				
Trade payables	101	–	–	101
Other payables and accruals	3,991	–	–	3,991
Deposits from subsidiaries	23,441	–	–	23,441
Total undiscounted financial liabilities	27,533	–	–	27,533

(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 Euro (EUR). Approximately 38% (2015: 86%) of the Group's sales are denominated in foreign currency whilst almost 66% (2015: 50%) of costs are denominated in foreign currencies.

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 $7,884,000 (2015: $5,558,000) and $3,168,000 (2015: $1,730,000) 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.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(c) *Foreign currency risk* (continued)

Sensitivity analysis for foreign currency risk

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

	Decrease/ (increase) in loss before tax 2016 $'000	Increase/ (decrease) in profit before tax 2015 $'000
USD/SGD – strengthened 3% (2015: 3%)	**58**	37
USD/SGD – weakened 3% (2015: 3%)	**(58)**	(37)
EUR/SGD – strengthened 3% (2015: 3%)	**1**	3
EUR/SGD – weakened 3% (2015: 3%)	**(1)**	(3)

(d) *Interest rate risk*

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

Sensitivity analysis for interest rate risk

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

	Decrease/ (increase) in loss before tax 2016 $'000	Increase/ (decrease) in profit before tax 2015 $'000
Increase in 100 basis points	**(100)**	(133)
Decrease in 100 basis points	**100**	133

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

39. 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 2016 and 31 December 2015.

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.

40. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the year ended 31 December 2016 were authorised for issue in accordance with a resolution of the Directors on 23 March 2017.

STATISTICS OF SHAREHOLDINGS
AS AT 15 MARCH 2017

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	79	1.13	3,812	0.00
100 - 1,000	2,762	39.58	1,337,568	0.61
1,001 - 10,000	2,563	36.72	12,854,037	5.84
10,001 - 1,000,000	1,553	22.25	75,577,319	34.33
1,000,001 AND ABOVE	22	0.32	130,397,038	59.22
TOTAL	**6,979**	**100.00**	**220,169,774**	**100.00**

TWENTY LARGEST SHAREHOLDERS

No.	Name	No. of Shares	%
1	Phillip Securities Pte Ltd	43,143,571	19.60
2	Citibank Nominees Singapore Pte Ltd	16,493,122	7.49
3	KS Investments Pte Ltd	13,744,583	6.24
4	Raffles Nominees (Pte) Limited	11,146,103	5.06
5	DBS Nominees (Private) Limited	7,420,997	3.37
6	OCBC Securities Private Limited	5,887,324	2.67
7	Frederick Huang Tong Leong	3,444,333	1.56
8	Maybank Kim Eng Securities Pte. Ltd.	3,214,581	1.46
9	CIMB Securities (Singapore) Pte. Ltd.	2,729,213	1.24
10	DBSN Services Pte. Ltd.	2,593,332	1.18
11	Chan Soo Hin	2,521,666	1.15
12	Pang Cheow Jow	2,436,666	1.11
13	UOB Kay Hian Private Limited	2,178,061	0.99
14	Ng Kwong Chong or Liu Oi Fui Ivy	2,170,000	0.99
15	United Overseas Bank Nominees (Private) Limited	2,090,748	0.95
16	Soh Suwe @ Soh Kim Swee	1,641,000	0.75
17	OCBC Nominees Singapore Private Limited	1,573,935	0.71
18	Ong Shyh Chang	1,333,333	0.61
19	HSBC (Singapore) Nominees Pte Ltd	1,311,999	0.60
20	Heng Kheng Seng or Khiew Lun Heong	1,200,138	0.55
	TOTAL	**128,274,705**	**58.28**

PERCENTAGE OF SHAREHOLDINGS HELD BY THE PUBLIC AS AT 15 MARCH 2017

Based on the Register of Shareholders, and to the best knowledge of the Company, the percentage of shareholdings held in the hands of public is approximately 73.7%. Accordingly, the Company complies with rule 723 of the Listing Manual.

STATISTICS OF SUBSTANTIAL SHAREHOLDERS
AS AT 15 MARCH 2017

	Direct Interest		Deemed Interest	
Name of Substantial Shareholder	No. of Shares	%	No. of Shares	%
Jeffrey Hing Yih Peir (note 1)	-	-	43,333,549	19.68
KS Investments Pte Ltd	13,744,583	6.24	-	-
Keppel Offshore & Marine Ltd (note 2)	-	-	13,744,583	6.24
Keppel Corporation Limited (note 2)	-	-	13,744,583	6.24
Temasek Holdings (Pte) Ltd (note 2)	-	-	13,744,583	6.24

Note 1: Mr. Jeffrey Hing Yih Peir's deemed interest is arrived as follows:

Shares held by Phillip Securities Pte Ltd for Mr. Jeffrey Hing Yih Peir	40,000,216
Shares held by Raffles Nominees Pte Ltd for Mdm Wong Bei Keen (spouse of Jeffrey Hing Yih Peir)	3,333,333
	43,333,549

Note 2: Keppel Offshore & Marine Ltd, Keppel Corporation Limited and Temasek Holdings (Pte) Ltd are deemed to be interested in the shares owned by KS Investments Pte Ltd by virtue of Section 7 of the Companies Act, Cap 50.

LIST OF PROPERTIES

Details of the Group's properties as at 31 December 2016 are as follows:

Location	Purpose	Approx. Area (in m^2)	Tenure of Lease
Lot 2501C Mukim 7 Private Lot No. A15279 18 Tuas Basin Link Singapore 638784	Two four-storey office building with carparks, workshops and waterfront	11,192	30 years with effect from December 1995
Kawasan Industri Sekupang, Kampong Baru Kelurahan Tanjung Riau No 61 Sekupang Batam Indonesia	One single-storey office building and one two-storey office building with carparks, workshops and waterfront	43,991	30 years with effect from May 2000
Private Lot A3002969 L0655600 Tuas Basin Link	Workshop and waterfront	2,450	6 years with effect from 22 April 2014
Seloko Island, Tanjung Uncang Sekupang Batam Indonesia	Future workshop and waterfront expansion	70,551	30 years with effect from 8 July 2015

NOTICE OF ANNUAL GENERAL MEETING

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

NOTICE IS HEREBY GIVEN that the 2017 Annual General Meeting of Penguin International Limited (the "**Company**") will be held on Thursday, 27 April 2017 at 11.00 a.m. at 18 Tuas Basin Link, Singapore 638784, 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 2016 together with the Independent Auditor's Report thereon. **Resolution 1**

2. To approve the payment of Directors' fees of S$167,000.00 for the financial year ended 31 December 2016 (2015: S$185,561.64). **Resolution 2**

3. To re-elect Mr. Jeffrey Hing Yih Peir, a Director retiring pursuant to Regulation 92 of the Company's Constitution. **Resolution 3**

4. To re-elect Mr. James Tham Tuck Choong, a Director retiring pursuant to Regulation 92 of the Company's Constitution. **Resolution 4**

5. To re-appoint Ernst & Young LLP as Auditor for the ensuing year and to authorise the Directors to fix their remuneration. **Resolution 5**

SPECIAL BUSINESS

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

6. **Share Issue Mandate** **Resolution 6**

"That pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), the Directors of the Company be authorised and empowered to:

(a) (i) issue shares in the Company ("shares") whether by way of rights, bonus 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) options, warrants, debentures or other instruments convertible into shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company 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 Instruments made or granted by the Directors of the Company while this Resolution was in force,

provided that:

(1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) to be issued pursuant to this Resolution shall be limited as follows:

(a) without prejudice to sub-paragraph (1)(b) below, the aggregate number of shares to be issued shall not exceed 50 per centum (50%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (4) below), of which the aggregate number of shares to be issued other than on a pro rata basis to shareholders of the Company shall not exceed 20 per centum (20%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (4) below) ("**General Limit**");

(b) in addition to the General Limit, the aggregate number of shares to be issued by way of renounceable rights issues on a pro rata basis ("**Renounceable Rights Issues**") shall not exceed 50 per centum (50%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (4) below ("**Additional Limit**");

(c) where an issue of shares is to be issued by way of Renounceable Rights Issues, that issue shall first use the Additional Limit, and in the event that the Additional Limit has been fully used and is insufficient to satisfy that issue, that issue may use the General Limit, but only to the extent of the then remaining General Limit;

(d) where an issue of shares is to be issued otherwise than by way of Renounceable Rights Issue, that issue may only use the General Limit, but only to the extent of the then remaining General Limit;

(e) an issue of shares that is not for a financing purpose may only use the General Limit, but the number of such shares that may be issued shall be limited to the numerical number of the then remaining Additional Limit;

(2) the General Limit and the Additional Limit shall not, in aggregate, exceed 100 per centum (100%) of the total number of issue shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (4) below);

(3) no shares shall be issued pursuant to this Resolution after 31 December 2018, if on that date the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) exceeds 50 per centum (50%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (4) below);

(4) (subject to such calculation as may be prescribed by the SGX-ST for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1)(a) and (1)(b) 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) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:

(a) new shares arising from the conversion or exercise of any convertible securities;

(b) new shares arising from exercising share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution; and

(c) any subsequent bonus issue, consolidation or subdivision of shares;

(5) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution of the Company; and

(6) unless revoked or varied by the Company in a general meeting, such authority 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 earlier." *[See Explanatory Note (a)]*

7. **The Proposed Renewal of the General Mandate for Interested Person Transactions** **Resolution 7**

"That:

(1) approval be and is hereby given, for the purposes of Chapter 9 of the listing manual ("**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 12 April 2017 with the Interested Persons described in paragraph 2.1.1 of the Letter to Shareholders dated 12 April 2017, 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 12 April 2017;

(2) 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;

(3) the Audit 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

(4) 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 (b)]*

8. **The Proposed Renewal of the Share Buy-back Mandate** **Resolution 8**

"That:

(a) for the purposes of Sections 76C and 76E of the Companies Act, Chapter 50 of Singapore (the "**Companies Act**"), the exercise by the Directors of the Company of all the powers of the Company to purchase or otherwise acquire issued ordinary shares in the capital of the Company (the "**Shares**") not exceeding in aggregate the Prescribed Limit (as hereafter defined), at such price(s) as may be determined by the Directors of the Company from time to time up to the Maximum Price (as hereafter defined), whether by way of:-

(i) on-market purchase(s) (each an "**On-Market Share Buy-back**"), transacted on the SGX-ST; and/or

(ii) off-market purchase(s) (each an "**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 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 (c)]*

By Order Of The Board

Heng Michelle Fiona/Lo Swee Oi
Company Secretaries
12 April 2017

Explanatory Notes:

(a) The Ordinary Resolution 6, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting ("**AGM**") of the Company, or the date by which the next AGM of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant instruments convertible into shares and to issue shares pursuant to such Instruments, up to a number not exceeding the aggregated of (i) 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 to shareholders of the Company (the General Limit) and (ii) additional 50% for Renounceable Rights Issues, of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (the Additional Limit), provided that the total number of shares which may be issued pursuant to (i) and (ii) shall not exceed 100% of the issued shares (excluding treasury shares and subsidiary holdings) at the time Ordinary Resolution 6 is passed, after adjusting for new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time when this Ordinary Resolution is passed and any subsequent bonus issue, consolidation or subdivision of shares.

The authority for the Additional Limit is proposed pursuant to SGX-ST Practice Note 8.3 which became effective on 13 March 2017 until 31 December 2018 by which date no further shares shall be issued pursuant to this Resolution, if on that date the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) exceeds 50% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company ("the Enhanced Rights Issue Limit"). The Enhanced Rights Issue Limit is aimed at helping companies raise funds expediently for expansion activities or working capital. It is subject to the condition that the Company complies with applicable legal requirements including but not limited to provisions in the Companies Act requiring the Company to seek shareholders' approval and disclosure requirements under the Listing Manual on the use of the proceeds as and when the funds are materially disbursed and a status report on the use of proceeds in the annual report; and limitations in any existing mandate from shareholders.

The Board is of the view that the Enhanced Rights Issue Limit is in the interests of the Company and its shareholders and in this regard, the Company seeks such authority so as to give the Company wider options of fund-raising should there be a need for such exercise to be undertaken.

The Enhanced Rights Issue Limit will be exercised only if the Directors believe that to do so would be likely to promote the success of the Company for the benefit of shareholders as a whole.

(b) Mr. Jeffrey Hing Yih Peir and his associates will abstain from voting on the proposed Ordinary Resolution No. 7 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.

(c) The Ordinary Resolution No. 8, 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 12 April 2017.

Notes:

(1) (a) A member who is not relevant intermediary is entitled to appoint not more than two (2) proxies to attend, speak and vote at the Annual General Meeting in his stead. Where such member appoints more than one (1) proxy, he/she shall specify the proportion of his/her shareholding to be represented by each proxy.

(b) A member who is a relevant intermediary is entitled to appoint more than two (2) proxies to attend, speak and vote at the Annual General Meeting in his stead. Where such member appoints more than one (1) proxy, he/she shall specify the proportion of his/her shareholding to be represented by each proxy.

"Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50.

(2) The instrument or form appointing a proxy, duly executed, must be deposited at the registered office of the Company at 18 Tuas Basin Link, Singapore 638784 not less than 72 hours before the time appointed for holding the Annual General Meeting in order for the proxy to be entitled to attend and vote at the Annual General Meeting. The sending of a Proxy Form by a member does not preclude him from attending and voting in person if he finds that he is able to do so. In such event, the relevant Proxy Form(s) will be deemed to be revoked.

(3) A proxy need not be a member of the Company. A member of the Company, which is a corporation, is entitled to appoint its authorised representative or proxy to vote on its behalf.

(4) A Depositor's name must appear on the Depository Register maintained by CDP as at 72 hours before the time fixed for holding the Annual General Meeting in order to be entitled to attend and vote at the Annual General Meeting.

(5) The instrument appointing a proxy or proxies must be signed by the appointor or his attorney duly authorised in writing. Where the instruction appointing a proxy is executed by a corporation, it must be executed either under its seal or under the hand of any officer or attorney duly authorised.

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents or service providers), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

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PENGUIN INTERNATIONAL LIMITED

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

PROXY FORM

IMPORTANT

1. Pursuant to Section 181(1C) of the Companies Act, Cap. 50 of Singapore (the "**Act**"), relevant intermediaries may appoint more than two (2) proxies to attend, speak and vote at the Annual General Meeting.
2. For investors who have used their CPF/SRS monies to buy shares in the Company ("**CPF/SRS Investors**"), this proxy form is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF/SRS Investors are requested to contact their respective Agent Banks/SRS Operators for any queries they may have with regard to their appointment as proxies or the appointment of their Agent Banks /SRS Operators as proxies for the Annual General Meeting.

PERSONAL DATA PRIVACY
By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 12 April 2017.

I/We ______________________________ (Name)

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

of ______________________________ (Address)

being a *member/members of **PENGUIN INTERNATIONAL LTD** (the "**Company**"), hereby appoint:

Name	Address	*NRIC/Passport No.	Proportion of Shareholdings (%)

*and/or

Name	Address	*NRIC/Passport No.	Proportion of Shareholdings (%)

or failing the person, or either or both of the persons, referred to above, the Chairman of the Meeting, as *my/our *proxy/proxies to attend and to vote for *me/us on *my/our behalf at the Annual General Meeting of the Company (the "**Meeting**") to be held on Thursday, 27 April 2017 at 11.00 a.m. at 18 Tuas Basin Link, Singapore 638784 and at any adjournment thereof. *I/We direct *my/our *proxy/proxies to vote for or against the resolutions to be proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given, the *proxy/proxies will vote or abstain from voting at *his/their discretion, as *he/they will on any other matter arising at the Meeting.

* Please delete accordingly

NO.	ORDINARY RESOLUTIONS	For	Against
	ORDINARY BUSINESS		
1.	Adoption of Directors' Statement and Audited Financial Statements		
2.	Approval of Directors' Fees		
3.	Re-election of Mr. Jeffrey Hing Yih Peir as Director		
4.	Re-election of Mr. James Tham Tuck Choong as Director		
5.	Re-appointment of Ernst & Young LLP as Auditor		
	SPECIAL BUSINESS		
6.	Renewal of Share Issue Mandate		
7.	Renewal of General Mandate for Interested Person Transactions		
8.	Renewal of Share Buy-back Mandate		

Dated this __________ day of ______________ 2017

Total No. of Shares	No. of Shares
In CDP Register	
In Register of Members	

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

IMPORTANT: PLEASE READ NOTES BEFORE COMPLETING THIS PROXY FORM

Notes:

1 Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act (Chapter 289)) of Singapore, you should insert that number. If you have shares registered in your name in the Register of Members of the Company, you should insert that number. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by you.

2 Except for a member who is a Relevant Intermediary as defined under Section 181(6) of the Companies Act (Chapter 50) of Singapore ("the Act"), a member is entitled to appoint not more than two (2) proxies to attend and vote on his behalf. Where a member appoints more than one (1) proxy, the appointments shall be invalid unless he specifies the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each proxy.

3 Pursuant to Section 181(1C) of the Act, a member who is a Relevant Intermediary, is entitled to appoint more than two (2) proxies to attend and vote at the meeting, but each proxy must be appointed to exercise rights attached to a different share or shares held by such member. Where such member appoints more than two (2) proxies, the number and class of shares held by such member in relation to which each proxy has been appointed shall be specified in the proxy form.

4 A proxy need not be a member of the Company.

5 The instrument appointing a proxy or proxies must be deposited at the Company's registered office at 18 Tuas Basin Link, Singapore 638784 not less than 72 hours before the time appointed for the meeting.

6 The instrument appointing a proxy or proxies must be under the hand of the appointer or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or under the hand of its attorney or a duly authorised officer.

7 Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.

8 A corporation that is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the meeting, in accordance with Section 179 of the Act.

9 The Company shall be entitled to reject an instrument of proxy which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the instrument of proxy. In addition, in the case of shares entered in the Depository Register, the Company may reject an instrument of proxy if the member, being the appointor, is not shown to have shares against his name in the Depository Register as at 72 hours before the time appointed for holding the meeting, as certified by The Central Depository (Pte) Limited to the Company. A Depositor shall not be regarded as a member of the Company entitled to attend the meeting and to vote thereat unless his name appears on the Depository Register 72 hours before the time appointed for the meeting.

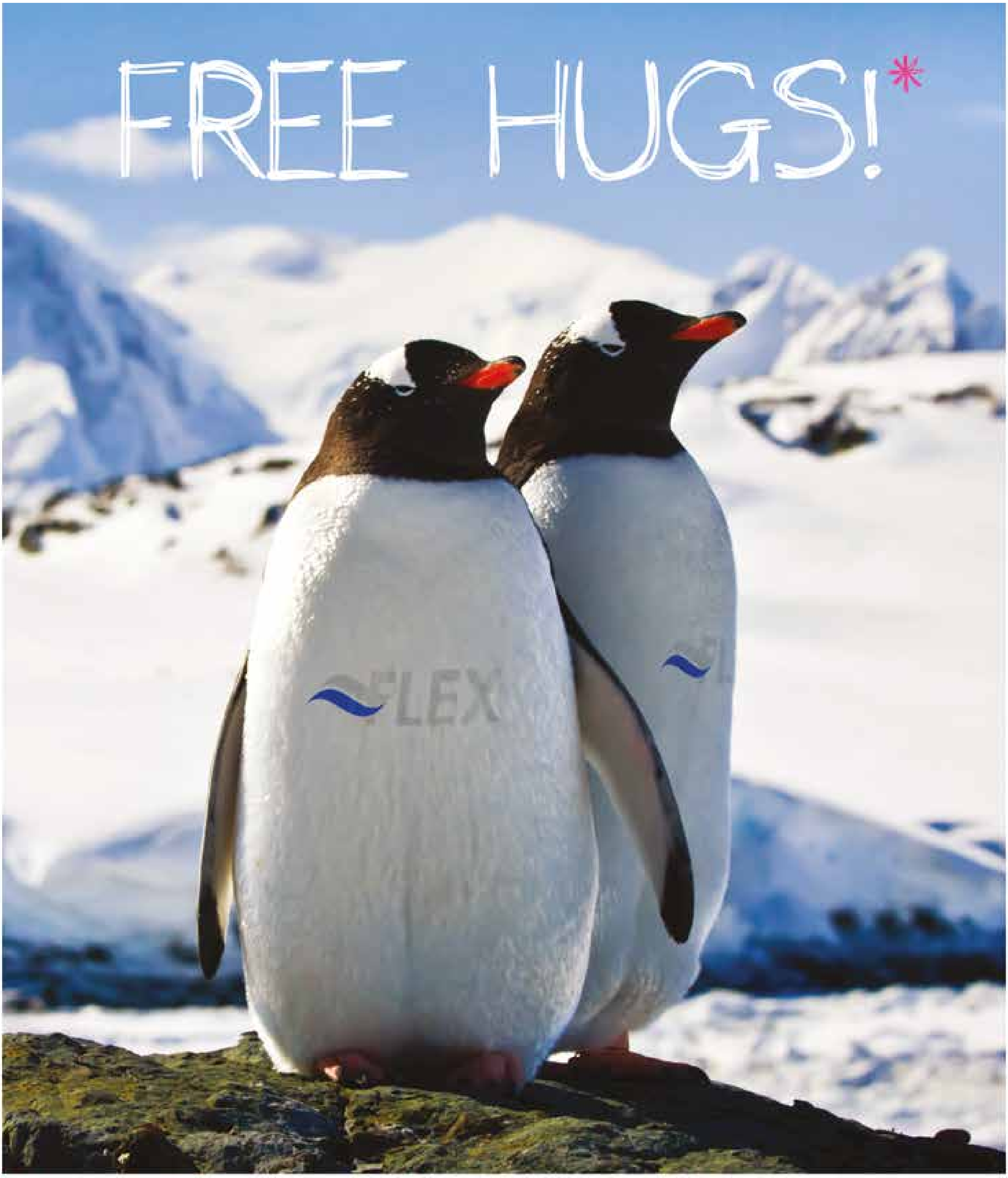
10 Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the Meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy, to the Meeting.

SPECIAL NOTE:

Interested Persons in the class described in paragraph 2.1.1 of the Letter to Shareholders dated 12 April 2017 who shall accept nominations as proxies or otherwise may not vote at the AGM in respect of the ordinary resolution unless the shareholders appointing them as proxies give specific instructions in the relevant proxy forms in the manner in which they wish their votes to be cast for the ordinary resolution.

PERSONAL DATA PRIVACY:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed 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) to comply with any applicable laws, Listing Rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.



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