

PENGUIN INTERNATIONAL LIMITED

Condensed interim financial statements
for the six months ended 30 June 2021

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A. CONDENSED INTERIM CONSOLIDATED INCOME
STATEMENT FOR THE PERIOD ENDED 30 JUNE 2021

	Note	Group		+ / (-) %
		6 months ended 30 June 2021	6 months ended 30 June 2020	
		\$'000	\$'000	
Revenue		42,107	50,137	(16.0)
Cost of sales		(29,707)	(37,503)	(20.8)
Gross profit		12,400	12,634	(1.9)
Other income	6.1	3,510	5,836	(39.9)
Marketing and distribution costs		(82)	(175)	(53.1)
Administrative expenses		(10,909)	(10,248)	6.5
Other operating expenses		(3,834)	(3,551)	8.0
Impairment loss on trade receivable		(239)	-	NM
Results from operating activities		846	4,496	(81.2)
Finance costs		(180)	(74)	143.2
Finance income		227	191	18.8
Profit before tax	6	893	4,613	(80.6)
Income tax expense	7	(585)	(701)	(16.5)
Profit for the period		308	3,912	(92.1)
Attributable to:				
Owners of the Company		308	3,912	(92.1)
Non-controlling interests		-	-	NM
Profit for the period		308	3,912	(92.1)
Earnings per share (cents per share)				
- Basic	8	0.14	1.78	
- Diluted	8	0.14	1.78	

**B. CONDENSED INTERIM CONSOLIDATED STATEMENT OF
COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30
JUNE 2021**

	Group		+ / (-) %
	6 months ended 30 June 2021 \$'000	6 months ended 30 June 2020 \$'000	
Profit for the period	308	3,912	(92.1)
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Net effect of exchange differences arising from quasi capital loan to subsidiaries	727	1,908	(61.9)
Foreign currency translation	42	401	(89.5)
	<u>769</u>	<u>2,309</u>	<u>(66.7)</u>
Items that will not be reclassified subsequently to profit or loss			
Changes in fair value of equity investment at FVOCI	3,157	(971)	NM
	<u>3,157</u>	<u>(971)</u>	<u>NM</u>
Other comprehensive income for the period, net of tax	3,926	1,338	193.4
Total comprehensive income for the period, net of tax	<u>4,234</u>	<u>5,250</u>	<u>(19.4)</u>
Attributable to:			
Owners of the Company	4,234	5,250	(19.4)
Non-controlling interests	-	-	NM
Total comprehensive income for the period	<u>4,234</u>	<u>5,250</u>	<u>(19.4)</u>

C. CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021

	Note	Group			+ / (-) %	Company		
		30 June	31 December			30 June	31 December	
		2021	2020			2021	2020	
		\$'000	\$'000		\$'000	\$'000		
Non-current assets								
Property, plant and equipment	13	114,360	100,451	13.8	849	1,606	(47.1)	
Right-of-use assets		8,559	8,984	(4.7)	311	727	(57.2)	
Investment in subsidiaries		–	–	NM	19,551	19,551	0.0	
Loan to a subsidiary		–	–	NM	70,837	70,837	0.0	
Quoted investments	11	6,314	3,157	100.0	6,314	3,157	100.0	
Intangible asset	12	78	78	0.0	–	–	NM	
Trade receivable		4,793	–	NM	–	–	NM	
Other receivables	14	8,414	2,345	258.8	–	–	NM	
		142,518	115,015	23.9	97,862	95,878	2.1	
Current assets								
Inventories		60,931	57,344	6.3	–	–	NM	
Trade receivables		11,331	10,120	12.0	2,016	1,798	12.1	
Other receivables and deposits	14	10,251	12,692	(19.2)	376	363	3.6	
Contract assets		–	1,695	(100.0)	–	–	NM	
Prepayments		280	409	(31.5)	125	96	30.2	
Loans to subsidiaries		–	–	NM	48,958	34,886	40.3	
Fixed deposits		2,725	4,201	(35.1)	–	–	NM	
Cash and bank balances		23,206	35,775	(35.1)	11,074	7,175	54.3	
		108,724	122,236	(11.1)	62,549	44,318	41.1	
Current liabilities								
Trade payables		14,580	18,767	(22.3)	11	–	NM	
Other payables and accruals	15	25,262	22,309	13.2	1,852	2,328	(20.4)	
Provisions		1,987	483	311.4	1,604	–	NM	
Contract liabilities		4,418	776	469.3	3,592	428	739.3	
Deferred income		196	500	(60.8)	53	124	(57.3)	
Provision for income tax		1,719	2,209	(22.2)	336	518	(35.1)	
Lease liabilities		1,171	1,350	(13.3)	314	765	(59.0)	
Bank loans	16	6,214	958	548.6	6,214	958	548.6	
Deposits from subsidiaries		–	–	NM	13,241	8,896	48.8	
		55,547	47,352	17.3	27,217	14,017	94.2	
Net current assets		53,177	74,884	(29.0)	35,332	30,301	16.6	

C. CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2021 (cont'd)

	Note	Group			Company		
		30 June	31 December	+ / (-) %	30 June	31 December	+ / (-) %
		2021	2020		2021	2020	
		\$'000	\$'000		\$'000	\$'000	
Non-current liabilities							
Deferred tax liabilities		2,137	2,219	(3.7)	80	132	(39.4)
Provisions		159	1,765	(91.0)	–	1,604	(100.0)
Lease liabilities		7,523	7,783	(3.3)	–	–	NM
Bank loans	16	7,007	3,497	100.4	7,007	3,497	100.4
		<u>16,826</u>	<u>15,264</u>	10.2	<u>7,087</u>	<u>5,233</u>	35.4
Net assets		<u>178,869</u>	<u>174,635</u>	2.4	<u>126,107</u>	<u>120,946</u>	4.3
Share capital	17	94,943	94,943	0.0	94,943	94,943	0.0
Reserves		83,930	79,696	5.3	31,164	26,003	19.8
Non-controlling interests		(4)	(4)	0.0	–	–	NM
Total equity		<u>178,869</u>	<u>174,635</u>	2.4	<u>126,107</u>	<u>120,946</u>	4.3

**D. CONDENSED INTERIM STATEMENT OF CHANGE IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2021**

	<u>Attributable to owners of the Company</u>			Sub-total \$'000	Non- controlling interests \$'000	Total equity \$'000
	Share capital \$'000	Other reserves \$'000	Retained earnings \$'000			
The Group						
Opening balance at 1 January 2021	94,943	(12,492)	92,188	174,639	(4)	174,635
Profit for the period	–	–	308	308	–	308
<u>Other comprehensive income</u>						
Net effect of exchange differences arising from quasi capital loan to subsidiaries	–	727	–	727	–	727
Foreign currency translation	–	42	–	42	–	42
Change in fair value of equity investment at FVOCI	–	3,157	–	3,157	–	3,157
Other comprehensive income for the period, net of tax	–	3,926	–	3,926	–	3,926
Total comprehensive income for the period	–	3,926	308	4,234	–	4,234
Closing balance at 30 June 2021	94,943	(8,566)	92,496	178,873	(4)	178,869

D. CONDENSED INTERIM STATEMENT OF CHANGE IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2021 (cont'd)

	<u>Attributable to owners of the Company</u>			Sub-total \$'000	Non- controlling interests \$'000	Total equity \$'000
	Share capital \$'000	Other reserves \$'000	Retained earnings \$'000			
The Group						
Opening balance at 1 January 2020	94,943	(10,079)	82,833	167,697	(3)	167,694
Profit for the period	–	–	3,912	3,912	–	3,912
<u>Other comprehensive income</u>						
Net effect of exchange differences arising from quasi capital loan to subsidiaries	–	1,908	–	1,908	–	1,908
Foreign currency translation	–	401	–	401	–	401
Issue of Management Award Shares as per the investment agreement with respect to Marco Polo Marine Limited	–	(971)	–	(971)	–	(971)
Other comprehensive income for the period, net of tax	–	1,338	–	1,338	–	1,338
Total comprehensive income for the period	–	1,338	3,912	5,250	–	5,250
<u>Contributions by and distributions to owners</u>						
Dividends paid	–	–	(3,853)	(3,853)	–	(3,853)
Total contributions by and distributions to owners	–	–	(3,853)	(3,853)	–	(3,853)
Closing balance at 30 June 2020	94,943	(8,741)	82,892	169,094	(3)	169,091

**D. CONDENSED INTERIM STATEMENT OF CHANGE IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2021 (cont'd)**

	Share capital \$'000	Other reserve \$'000	Retained earnings \$'000	Total equity \$'000
The Company				
Opening balance at 1 January 2021	94,943	(4,843)	30,846	120,946
Profit for the period	–	–	2,004	2,004
<u>Other comprehensive income</u>				
Change in fair value of equity investment at FVOCI	–	3,157	–	3,157
Total comprehensive income for the period	–	3,157	2,004	5,161
Closing balance at 30 June 2021	94,943	(1,686)	32,850	126,107

	Share capital \$'000	Other reserve \$'000	Retained earnings \$'000	Total equity \$'000
Company				
Opening balance at 1 January 2020	94,943	(3,386)	27,867	119,424
Profit for the period	–	–	1,782	1,782
<u>Other comprehensive income</u>				
Issue of Management Award Shares as per the investment agreement with respect to Marco Polo Marine Limited	–	(971)	–	(971)
Total comprehensive income for the period	–	(971)	1,782	811
<u>Contributions by and distributions to owners</u>				
Dividends paid	–	–	(3,853)	(3,853)
Total contributions by and distributions to owners	–	–	(3,853)	(3,853)
Closing balance at 30 June 2020	94,943	(4,357)	25,796	116,382

**E. CONDENSED INTERIM CONSOLIDATED CASH FLOW
STATEMENT FOR THE PERIOD ENDED 30 JUNE 2021**

	Group	
	6 months ended 30 June 2021	6 months ended 30 June 2020
	\$'000	\$'000
Note		
Operating activities		
Profit before tax	893	4,613
Adjustments for:		
Depreciation of property, plant and equipment and right-of-use assets	5,567	5,173
Gain on disposal of property, plant and equipment and assets classified as held for sale	(2,333)	(3,686)
Interest expense	161	57
Interest income	(227)	(191)
Property, plant and equipment written off	3	-
Provision for warranty claims on shipbuilding contracts, net	93	79
Impairment loss on trade receivable	239	-
Currency alignment	398	(1,664)
Operating cash flows before changes in working capital	4,794	4,381
Inventories	(3,587)	(21,867)
Trade receivables	(6,243)	2,313
Other receivables, deposits and prepayments	(3,409)	(4,783)
Contract assets	1,695	1,929
Trade payables	(4,187)	4,017
Other payables and accruals	2,953	767
Provisions	(193)	(86)
Contract liabilities	3,642	3,403
Deferred income, including government grant	(304)	731
Cash flows used in operations	(4,839)	(9,195)
Interest paid	(161)	(57)
Interest received	227	191
Income taxes paid, net	(1,241)	(294)
Net cash flows used in operating activities	(6,014)	(9,355)

E. CONDENSED INTERIM CONSOLIDATED CASH FLOW
STATEMENT FOR THE PERIOD ENDED 30 JUNE 2021 (cont'd)

	Group	
	6 months ended 30 June 2021 \$'000	6 months ended 30 June 2020 \$'000
Investing activities		
Proceeds from disposal of property, plant and equipment and assets classified as held for sale	8,087	11,363
Additions to property, plant and equipment	(24,056)	(8,360)
Net cash flows (used in) / generated from investing activities	(15,969)	3,003
Financing activities		
Proceed from bank loans	9,242	5,000
Repayment of bank loans	(475)	(160)
Dividends paid	-	(3,853)
Payment of principal portion of lease liabilities	(921)	(625)
Decrease / (increase) in pledged deposits with licensed banks	1,492	(478)
Net cash flows generated from / (used in) financing activities	9,338	(116)
Net decrease in cash and cash equivalents	(12,645)	(6,468)
Effect of exchange rate changes on cash and cash equivalents	92	1,883
Cash and cash equivalents at beginning of period	35,340	57,150
Cash and cash equivalents at end of period	22,787	52,565

F. Notes to the condensed interim consolidated financial statements

1. **Corporate information**

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

These condensed interim consolidated financial statements for the six months ended 30 June 2021 comprise the Company and its subsidiaries (collectively, the Group).

The principal activities of the Company are to act as: (i) owners and operators of workboats and passenger boats, (ii) designers and builders of aluminium high-speed vessels and (iii) investment holding.

2. **Basis of preparation**

The condensed interim financial statements for the six months ended 30 June 2021 have been prepared in accordance with Singapore Financial Reporting Standards (International) ("SFRS(I)") 1-34 Interim Financial Reporting issued by the Accounting Standards Council Singapore. The condensed interim financial statements do not include all the information required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance of the Group since the last annual financial statements for the year ended 31 December 2020.

The accounting policies adopted are consistent with those of the previous financial year which were prepared in accordance with SFRS(I)s, except for the adoption of new and amended standards as set out in Note 2.1.

The condensed interim financial statements have been prepared on the historical cost basis except as otherwise described in the note below.

The condensed interim financial statements are presented in Singapore dollar, which is the Company's functional currency.

2.1 **New and amended standards adopted by the Group**

A number of amendments to Standards have become applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustment as a result of adopting those standards.

2.2 **Use of judgements and estimates**

In preparing the condensed interim financial statements, management has made judgement, estimates and assumptions that effect the application of accounting policies and the reporting amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimations uncertainty were the same as those that applied to the consolidated financial statement as at end of the year ended 31 December 2020.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Management is of the opinion that there are no critical judgements made in applying the Group's accounting policies and no assumptions and estimation of uncertainties that have a significant risk of resulting in a material adjustment within the next financial year.

3. Seasonal operations

The Group's businesses are not affected significantly by seasonal or cyclical factors during the financial period.

4. Segment and revenue information

4.1 Reportable segments

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

- (a) The vessel chartering segment charters out workboats and passenger boats as an owner and operator.
- (b) The shipbuilding, ship repair and maintenance segment designs and builds high-speed aluminium vessels.

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

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

4.1 Reportable segments (cont'd)

	Vessel chartering		Shipbuilding, ship repair and maintenance		Adjustments and eliminations		Notes	Total	
	6 months ended 30 June 2021	6 months ended 30 June 2020	6 months ended 30 June 2021	6 months ended 30 June 2020	6 months ended 30 June 2021	6 months ended 30 June 2020		6 months ended 30 June 2021	6 months ended 30 June 2020
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000		\$'000	\$'000
Revenue									
Sales to external customers	10,944	10,875	31,163	39,262	–	–		42,107	50,137
Inter-segment sales	243	84	25,923	7,280	(26,166)	(7,364)	A	–	–
Total revenue	11,187	10,959	57,086	46,542	(26,166)	(7,364)		42,107	50,137
Results									
Finance income	268	211	103	69	(144)	(89)	B	227	191
Depreciation	(3,869)	(3,775)	(1,696)	(1,084)	(2)	(314)	B	(5,567)	(5,173)
Financial costs	(87)	(76)	(237)	(87)	144	89	B	(180)	(74)
Other non-cash expenses	(3)	–	–	–	–	–		(3)	–
Segment profit before tax	1,194	3,401	3,612	866	(3,913)	346	C	893	4,613
Taxation								(585)	(701)
Profit for the interim period								308	3,912

4.1 Reportable segments (cont'd)

The following table presents assets, liabilities and other segment information regarding the Group's business segments for the period ended 30 June 2021 and 2020:

	Vessel chartering		Shipbuilding, ship repair and maintenance		Discontinued operation		Adjustments and eliminations		Notes	Total	
	6 month ended 30 June 2021	6 month ended 30 June 2020	6 month ended 30 June 2021	6 month ended 30 June 2020	6 month ended 30 June 2021	6 month ended 30 June 2020	6 month ended 30 June 2021	6 month ended 30 June 2020		6 month ended 30 June 2021	6 month ended 30 June 2020
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000		\$'000	\$'000
Assets and liabilities											
Additions to non-current assets	26,853	8,630	10,860	1,063	–	–	(4,944)	(1,333)	D	32,769	8,360
Goodwill	–	–	78	78	–	–	–	–		78	78
Segment assets	136,902	121,333	132,519	134,750	367	367	(18,546)	(11,442)	E	251,242	245,008
Segment liabilities	19,483	10,278	51,027	61,366	–	–	1,863	4,273	F	72,373	75,917

4.1 Reportable segments (cont'd)

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

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

	30 June 2021	30 June 2020
	\$'000	\$'000
From inter-segment transactions	(3,252)	1,085
Unallocated expenses	(661)	(739)
	<hr/>	<hr/>
	(3,913)	346
	<hr/>	<hr/>

The unallocated expenses pertain mainly to depreciation of leasehold building.

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

	30 June 2021	30 June 2020
	\$'000	\$'000
Inter-segment assets	(19,187)	(13,398)
Unallocated assets	641	1,956
	<hr/>	<hr/>
	(18,546)	(11,442)
	<hr/>	<hr/>

The unallocated assets pertain mainly to leasehold building.

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

	30 June 2021	30 June 2020
	\$'000	\$'000
Inter-segment liabilities	(3,597)	(1,247)
Deferred tax liabilities	2,137	1,833
Current tax liabilities	1,719	2,083
Provision for restoration cost	1,604	1,604
	<hr/>	<hr/>
	1,863	4,273
	<hr/>	<hr/>

4.1 Reportable segments (cont'd)
Geographical information

The following is revenue information based on the geographical location of the Group's customers:

	Group 6 months ended					
	Vessel chartering		Shipbuilding, ship repair and maintenance		Total	
	30 June 2021	30 June 2020	30 June 2021	30 June 2020	30 June 2021	30 June 2020
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Singapore	2,101	1,851	3,121	1,221	5,222	3,072
Rest of Southeast Asia	8,288	9,024	432	42	8,720	9,066
Africa	555	–	17,779	21,529	18,334	21,529
Taiwan	–	–	313	10,476	313	10,476
Europe	–	–	9,020	1,072	9,020	1,072
Others	–	–	498	4,922	498	4,922
	10,944	10,875	31,163	39,262	42,107	50,137

Management does not monitor non-current assets and capital expenditure by geographical segment because the Group's non-current assets comprise mainly of vessels, which cannot be meaningfully allocated by geographic location as vessels can be deployed at any location at various points in time.

4.2 Disaggregation of revenue

	Group 6 months ended					
	Vessel chartering		Shipbuilding, ship repair and maintenance		Total	
	30 June 2021	30 June 2020	30 June 2021	30 June 2020	30 June 2021	30 June 2020
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Types of goods or service:						
Sale of goods	-	-	28,818	37,998	28,818	37,998
Rendering of services	10,944	10,875	2,345	1,264	13,289	12,139
	10,944	10,875	31,163	39,262	42,107	50,137

5. Financial assets and financial liabilities

Set out below is an overview of the financial assets and financial liabilities of the Group as at 30 June 2021 and 31 December 2020:

	Group		Company	
	30 June 2021	31 December 2020	30 June 2021	31 December 2020
	\$'000	\$'000	\$'000	\$'000
Financial assets				
Financial assets at fair value through other comprehensive income (FVOCI)	6,314	3,157	6,314	3,157
Cash and bank balances, fixed deposits, contract assets, trade receivables, other receivables and deposits and loans to subsidiaries (Amortised cost)	54,275	60,005	133,261	115,059
	60,589	63,162	139,575	118,216
Financial liabilities				
Trade payables, other payables and accruals, lease liabilities, deposit from subsidiary and bank loans (Amortised cost)	55,419	47,421	28,627	16,407

6. Profit before tax

6.1 Significant items

	Group	
	6 months ended 30 June 2021	6 months ended 30 June 2020
	\$'000	\$'000
Other income		
Gain on disposal of property, plant, and equipment	2,333	3,686
Government grants under Covid-19 business support schemes provided by the Singapore government	870	1,748
Interest income	227	191
Interest expense	(161)	(57)
Depreciation of property, plant and equipment and right-of-use assets	(5,567)	(5,173)
Foreign exchange (loss) / gain, net	(46)	52
Impairment loss on trade receivable	(239)	-
Property, plant and equipment written off	(3)	-

6.2 Interested person transactions

There were no significant interested persons transactions under general mandate of or over S\$100,000 in value entered into during the financial period from January 2021 to April 2021.

There were no significant interested persons transactions of or over S\$100,000 in value entered into during the financial period ended 30 June 2021.

The company did not obtain approval from its shareholders for the renewal of a general mandate for interest persons transactions in its Annual General Meeting held on 29 April 2021.

7. Income tax expense

The Group calculates the period's income tax expense using the tax rate that would be applicable to the expected total annual earnings. The major components of income tax expense in the condensed interim consolidated income are:

	6 months ended 30 June 2021	6 months ended 30 June 2020
	\$'000	\$'000
Current tax		
Current income tax expense	674	927
(Over) / under provision in respect of previous years	(7)	17
Deferred tax		
Movement in temporary differences	(57)	(232)
Over provision in respect of previous years	(25)	(11)
	<u>585</u>	<u>701</u>

8. Earnings per share

	Group	
	6 months ended	
	30 June 2021	30 June 2020
Profit attributable to equity holders of the Company (\$)	<u>308,000</u>	<u>3,912,000</u>
Weighted average number of ordinary shares in issue for calculation of basic and diluted earnings per share	<u>220,169,774</u>	<u>220,169,774</u>
Basic earnings per share (cents)	<u>0.14</u>	<u>1.78</u>

The calculation of basic earnings per share at 30 June was based on profit attributable to owners of the Company and the weighted average number of ordinary shares outstanding.

The Group has no dilution in its earnings per share at 30 June 2021 and 30 June 2020.

9. Dividends

No interim dividend for the half year ended 30 June 2021 (30 June 2020: Nil) is recommended as the Group intends to conserve cash during these challenging times.

10. Net asset value

	Group		Company	
	30 June 2021	31 December 2020	30 June 2021	31 December 2020
Net asset value per ordinary share based on the issued share capital at the end of period (cents)	81.24	79.32	57.28	54.93

Net asset value per share for both periods is computed based on the number of shares in issue of 220,169,774.

11. Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income comprise the following:

	Group	
	30 June 2021	31 December 2020
	\$'000	\$'000
Singapore listed equity securities		
- Marco Polo Marine Limited	6,314	3,157

11.1 Fair value measurement

The Group classifies financial assets measured at fair value using a fair value hierarchy which reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at measurement date,

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and

Level 3 – Unobservable inputs for the asset or liability.

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

As at 30 June 2021, the Group has investment in quoted equity security representing Level 1 financial asset which is carried at fair value amount of \$6,314,000 (31 December 2020: \$3,157,000). The quoted equity security is listed on the SGX-ST in Singapore

12. Intangible assets

	Goodwill
	\$'000
Group	
Cost	
At 31 December 2020 and 30 June 2021	291
Accumulated impairment loss	
At 31 December 2020 and 30 June 2021	(213)
Net carrying amount	
At 31 December 2020 and 30 June 2021	78

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

No impairment loss for goodwill was required for the financial year / period ended 31 December 2020 and 30 June 2021.

13. Property, plant and equipment

During the six months ended 30 June 2021, the Group acquired assets amounting to \$24,056,000 (30 June 2020: \$8,360,000) and disposed of assets amounting to \$5,820,000 (30 June 2020: \$7,592,000).

14. Other receivables and deposits

	Group		Company	
	30 June 2021 \$'000	31 December 2020 \$'000	30 June 2021 \$'000	31 December 2020 \$'000
Current:				
<i>Financial assets</i>				
Other receivables	2,311	4,456	107	96
Deposits	532	507	269	267
Insurance claims	963	906	–	–
	<hr/>	<hr/>	<hr/>	<hr/>
	3,806	5,869	376	363
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Non-financial assets</i>				
Advance payment to suppliers	5,840	6,232	–	–
Deposits	10	17	–	–
Other receivables	595	574	–	–
	<hr/>	<hr/>	<hr/>	<hr/>
	6,445	6,823	–	–
	<hr/>	<hr/>	<hr/>	<hr/>
Total current other receivables and deposits	10,251	12,692	376	363
	<hr/>	<hr/>	<hr/>	<hr/>
Non-current:				
<i>Financial assets</i>				
Other receivables	8,414	2,345	–	–
	<hr/>	<hr/>	<hr/>	<hr/>
Total other receivables and deposits	18,665	15,037	376	363
	<hr/>	<hr/>	<hr/>	<hr/>

Included in the Group's current other receivables and non-current other receivables is an amount of \$1,453,000 (31 December 2020: \$3,600,000) and \$8,414,000 (31 December 2020: \$2,345,000) respectively which pertains to sale of vessels (under property, plant and equipment) under deferred payment arrangements.

15. Other payables and accruals

	Group		Company	
	30 June 2021 \$'000	31 December 2020 \$'000	30 June 2021 \$'000	31 December 2020 \$'000
<i>Financial liabilities</i>				
Accrued operating expenses	17,887	13,855	1,472	2,157
Other payables	1,037	1,211	380	171
	<hr/>	<hr/>	<hr/>	<hr/>
	18,924	15,066	1,852	2,328
<i>Non-financial liabilities</i>				
Advance payments and deposits received (non-refundable)	6,338	7,243	–	–
	<hr/>	<hr/>	<hr/>	<hr/>
Total other payables and accruals	25,262	22,309	1,852	2,328

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

16. Bank loans

	Group and Company	
	30 June 2021 \$'000	31 December 2020 \$'000
<u>Amount repayable within one year or on demand</u>		
Secured	5,242	-
Unsecured	972	958
	<hr/>	<hr/>
	6,214	958
<u>Amount repayable after one year</u>		
Secured	4,000	-
Unsecured	3,007	3,497
	<hr/>	<hr/>
	7,007	3,497
	<hr/>	<hr/>
Total bank loans	13,221	4,455

The Group's bank borrowings are secured by way of mortgages over subsidiaries' vessels, including assignment of insurance policies, charter earnings and contracts.

17. Share capital

	Group and Company			
	30 June 2021		31 December 2020	
	Number of shares	Amount	Number of shares	Amount
	'000	\$'000	'000	\$'000
Ordinary shares issued and fully paid				
Beginning of interim period	220,170	94,943	220,170	94,943

The Company did not hold any treasury shares as at 30 June 2021 and 31 December 2020.

The Company's subsidiaries did not hold any shares in the Company as at 30 June 2021 and 31 December 2020.

18. Subsequent events

There are no known subsequent events which have led to adjustments to this set of interim financial statements.

OTHER INFORMATION REQUIRED BY LISTING RULE APPENDIX 7.2

1. Review

The statement of financial position as at 30 June 2021 and the related consolidated income, consolidated statement of comprehensive income, statement of changes in equity and consolidated of cash flow statement for the half year period then ended and the selected explanatory notes (the “Condensed Interim financial Statement”) have not been audited or reviewed by the Company’s auditors.

2. Review of performance of the Group

Overview

The Group’s shipbuilding business in the first half of the year was negatively affected by the Covid-19 pandemic and low oil prices, as demand for new vessels remained weak. However, vessel chartering was fairly stable over this period.

Review of the Group's performance For the half year ended 30 June 2021 (1H2021)

Revenue	1H2021	1H2020	+ / (-)
	\$'000	\$'000	%
Shipbuilding, ship repair and maintenance	31,163	39,262	-20.6%
Vessel chartering	10,944	10,875	0.6%
Total	42,107	50,137	-16.0%

Group revenue in 1H2021 was \$42.1 million, a decrease of 16% from 1H2020. The decrease in revenue and cost of sales was due mainly to lower contribution from shipbuilding activities.

Despite the drop in revenue, gross profit margin increased in 1H2021 (29.4%) compared with 1H2020 (25.2%), due mainly to improved margins from shipbuilding activities and the absence of lower-margin ship conversion projects in the latest period.

The decrease in other income in 1H2021 compared with 1H2020 was due mainly to lower gains from the sale of vessels from the Group’s operating fleet as well as lower contribution from the various Covid-19 business support schemes provided by the Singapore government (1H2021: \$870,000 versus 1H2020: \$1,748,000).

The increase in administrative expenses was due mainly an increase in depreciation of property, plant and equipment as well as right-of-use assets arising from an additional shipyard lease in Tuas and upgrading of the Group’s Batam shipyard.

The increase in other operating expenses was due mainly to a net foreign exchange loss of \$46,000 in 1H2021, compared to a net foreign exchange gain of \$52,000 in 1H2020, as well as higher marine insurance costs arising from more vessels being added to the Group’s operating fleet.

Increase in impairment loss on trade receivable due to provision for doubtful debt.

As a result of the above, the Group posted a lower net profit of \$308,000 in 1H2021, compared to a net profit of \$3.9 million in 1H2020.

Changes in Balance Sheet

As of the date of this announcement, the Group's core businesses in vessel chartering and shipbuilding remain unchanged.

The increase in inventories was due mainly to more stock vessels under construction.

The increase in trade receivable (non-current) and trade receivables was due mainly to differences in the timing of billing and collections during the period and the sale of stock vessel from inventories under deferred payment arrangements.

The net increase in other receivables (non-current) and other receivables and deposits was due mainly to an increase in other receivables from the disposal of property, plant, and equipment (namely fleet vessels) under deferred payment arrangements.

The net decrease in trade payables and other payables and accruals was due mainly to differences in the timing of payment made during the period and the timing of billing from vendors in which the costs were captured under accrued operating expenses in end 2020.

Review of Group Cashflow

The net cash of \$6 million used in operating activities was used mostly in shipbuilding activities.

The net cash of \$16 million used in investing activities arose from the addition of new vessels to the Group's fleet, investment in the Group's new shipyard in Tuas and upgrading of the Group's shipyard in Batam. This was partially offset by the sale of vessels from the Group's operating fleet.

The net cash of \$9.3 million from financing activities was due to drawdown of bank loans of \$9.2 million and a decrease in pledged deposits with licensed banks. This was offset by the repayment of bank loans and payment of the principal portion of lease liabilities.

As a result of the above cash movements, the Group's cash and cash equivalents decreased to \$22.8 million as at 30 June 2021, from \$35.3 million as at 31 December 2020.

3. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results

Not applicable.

4. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the Group operates and any known factors or events that may affect the Group in the next operating period and the next 12 months

As of the date of this announcement, Penguin's core shipbuilding business has been negatively affected by the Covid-19 pandemic and slumping oil prices, as demand for new vessels remains weak. However, vessel chartering was fairly stable over this period.

To conserve cash, the Group has either halted or slowed down some of its uncommitted build-for-stock vessels. All committed build-for-stock and build-to-order vessels are being completed as scheduled.

Out of the Group's key shipbuilding market segments, offshore wind (windfarm boats) remains fairly resilient, offshore oil and gas (crewboats) and maritime protection (security vessels) are still weak, while tourism (passenger ferries) is experiencing a gradual recovery.

Notwithstanding the challenges, the Group is working hard to secure new build-to-order projects across various market segments, as it expands its customers' geographical reach.

5. Dividend Information

5a. Current Financial Period Reported on

Any dividend recommended for the current financial period reported on?

No interim dividend for the half year ended 30 June 2021 is recommended as the Group intends to conserve cash during these challenging times.

5b. Corresponding Period of the Immediate Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

No interim dividend for the half year ended 30 June 2020 is recommended as the Group intends to conserve cash during these challenging times.

6. If the group has obtained a general mandate from shareholders for IPT's, the aggregate value of such transactions as required under Rule 920 (1)(a)(ii). If not IPT mandate has been obtained, a statement to that effect.

There were no significant interested persons transactions under general mandate of or over S\$100,000 in value entered into during the financial period ended from January 2021 to April 2021.

There were no significant interested persons transactions of or over S\$100,000 in value entered into during the financial period ended 30 June 2021.

The company did not obtain approval from its shareholders for the renewal of a general mandate for interest persons transactions in its Annual General Meeting held on 29 April 2021.

7. Confirmation that the issuer has procured undertaking from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720(1)

The Company has received undertaking from all its directors and executive officers in the format as set out in Appendix 7.7 under Rule 720(1) of the Listing Manual of the SGX-ST.

Confirmation by the Board

On behalf of the Board of Directors of the Company, to the best of our knowledge that nothing has come to the attention of the Board of Directors of the Company which may render the financial statements for the six-month period ended 30 June 2021 to be false or misleading in any material aspect.

On behalf of the Board of Directors

Tung May Fong
Finance & Administration Director

Singapore
5 August 2021