

PENGUIN INTERNATIONAL LIMITED



ANNUAL REPORT 2021

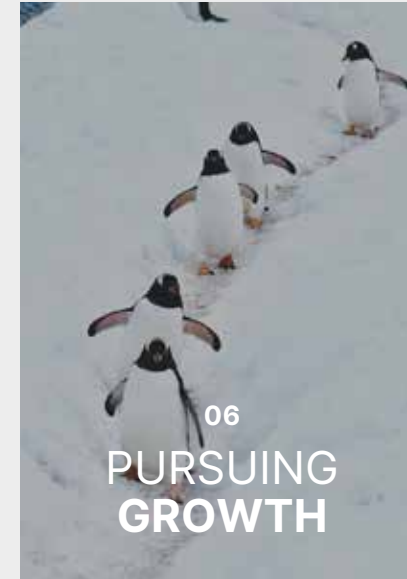
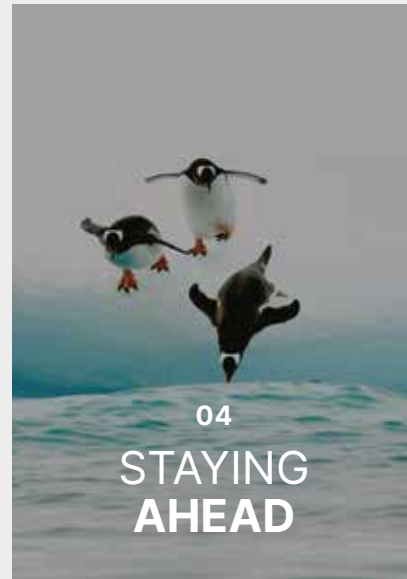
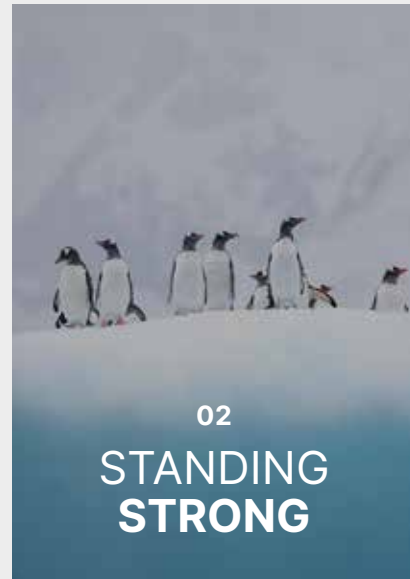
PENGUIN



**BREAKING
OUT**

CONTENT

FEATURES



EDITORIALS



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THE FUTURE IS

FLEX





STANDING STRONG

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

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



Our people, our precious assets.





STAYING AHEAD

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

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



Our people, our precious assets.





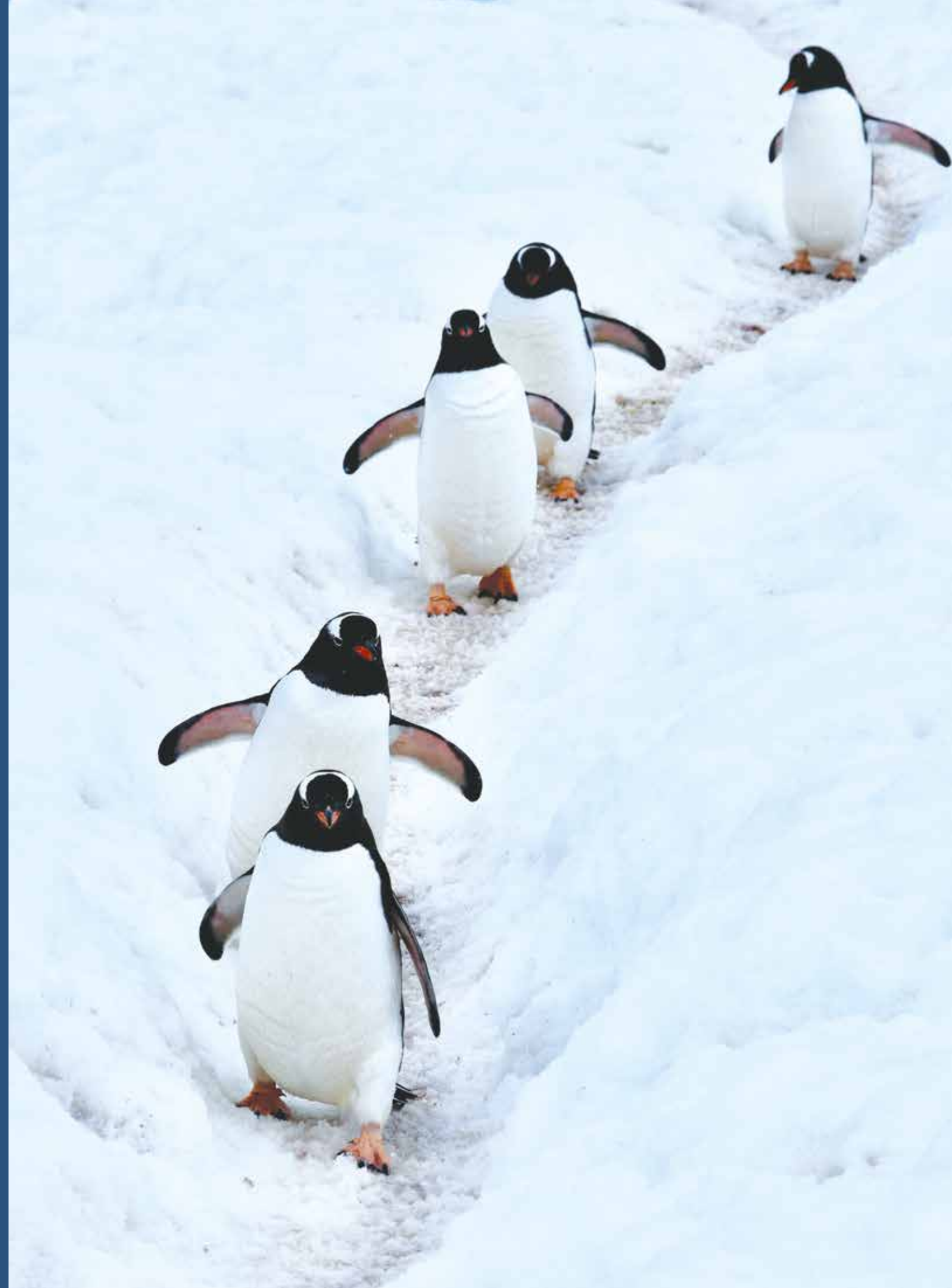
PURSUING GROWTH

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



Our people, our precious assets.



WELCOME TO THE HOME OF THE FLEX



Penguin's PT Kim Seah Shipyard Indonesia

PENGUIN IS A SINGAPOREAN HOMETOWN, PUBLICLY LISTED DESIGNER, BUILDER, OWNER AND OPERATOR OF HIGH-SPEED ALUMINIUM CRAFT, RANGING FROM STANDARDISED STOCK VESSELS TO COMPLEX BESPOKE DESIGNS.



Electric Dream ferry project with Shell

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

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

GO AHEAD.
FLEX YOUR FLEET!

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

THE FLEX FAMILY

OUR RANGE OF HIGH-SPEED COMMERCIAL CRAFT

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

Notes

* Full business class seating arrangement

A JOINT LETTER FROM OUR CHAIRMAN AND MANAGING DIRECTOR



MR. JEFFREY HING
Executive Chairman

MR. JAMES THAM
Managing Director

Dear Fellow Shareholders,

BREAKING FREE

As we were preparing to write this letter, we vowed to avoid any mention of the dreaded C-word.

After all, we have seen and heard enough of it, haven't we?

It's about time we stopped using it as a bogeyman, a crutch, a sorry excuse that's way past its use-by date. More importantly, let us not allow it to diminish our core values and beliefs, and everything else that we hold dear.

We ourselves must break free from this never-ending cycle of false dawns and broken promises.

After all, life - despite this current state of affairs - still has a lot to offer.

SLOW AND STEADY

All things considered, FY2021 was a fruitful year for Penguin. We made a profit, secured new clients in new markets and ventured into new energy.

After plowing through three dreary quarters in FY2021, we ended off the year on a brighter note, with a net profit after tax of \$12.7 million and net cash (after borrowings) of \$5.8 million, down 4.1% and 83.7% respectively from FY2020.

Over the same period, group revenue rose 11.1% to \$132.6 million while gross profit rose 11.0% to \$37.2 million.

Shipbuilding, ship repair and maintenance segment and chartering segment contributed to 80.2% and 19.8% respectively of FY2021 group revenue, compared with 81.9% and 18.1% the previous year.

In FY2021, shipbuilding, ship repair and maintenance segment revenue rose 8.8% year-on-year to \$106.3 million, while chartering segment revenue rose 21.4% to \$26.3 million, as utilisation improved slightly.

It is worth noting that most of our FY2021 revenue/net profit after tax came in only in the last quarter, as our

moribund markets began to stir from their slumber.

As in previous years, most of our revenue was contributed by repeat clients.

MANAGING MARGIN PRESSURE

Notwithstanding the prospects of brighter days ahead, we need to take heed of the dark clouds gathering before us.

In FY2021, our gross profit margin and net profit margin fell year-on-year to 28.0% (from 28.1% in FY2020) and 9.6% (from 11.1% in FY2020) respectively. These are the lowest margins that we have seen in four years.

Our shipbuilding margins in particular will continue to come under pressure for the foreseeable future...

- as the recovery of our key market segments continues to be erratic;
- as global competition intensifies;

- as governments bend to local pressure and move to curb foreign competition;
- as our production cost continues to rise (aluminium plates, cables, propellers and shafts, major machinery, electricity, labour, just to name a few);
- as delivery schedules for long-lead equipment and material keep getting stretched, thus limiting our shipyards' output.

On top of that, we actually put pressure on our own shipbuilding margins when we consciously take on more build-to-order projects alongside our traditional build-for-stock programme in our ongoing drive for diversification and decarbonisation.

Despite being the world's most prolific and consistent builder of crewboats and security boats, we cannot simply pass on our higher production cost to our clients. We need to first see a sustained and meaningful recovery in our key market segments. Even then, we will most likely have to absorb some of the cost escalation in order to stay competitive.

Notwithstanding the above, rest assured that we are working hard to maintain our margins and market presence. This includes taking on more projects and working closely with our project partners to manage cost and delivery (although at times, there are actually trade-offs between cost and delivery).

Wherever feasible, we have also opted for sensible substitutes.

Without revealing too much here, it is hard to overstate the lengths that we would go to just to keep our production programme on budget and on schedule.

“WE OURSELVES MUST BREAK FREE FROM THIS NEVER-ENDING CYCLE OF FALSE DAWNS AND BROKEN PROMISES.”

At times like this, we leverage heavily on accumulated goodwill, mutual interests and economies of scale.

INVESTING IN OUR FUTURE

On the investment front, FY2021 was marked by high capital expenditure activities, where the Group invested in fleet expansion, upgrading of shipbuilding facilities in Batam and shipyard development at our new shipyard at 21 Tuas Road. These activities were funded mainly by internal funds and partially by bank borrowings.

Over in Batam, we commissioned a pair of new 55-metre piers and a new 700-ton marine travelift, and upgraded our offices and shipyard facilities. This investment, though hefty, helps to cement PT Kim Seah Shipyard Indonesia's status as one of the largest and most modern dedicated aluminium shipbuilding outfits in Asia.

Back in Tuas, we are close to completing the first phase of the development of our new shipyard at 21 Tuas Road, which has double the land area of our current premises at 18 Tuas Basin Link.

The works include renovating an existing office block and constructing three new workshops and a new waterfront comprising a pair of 50-metre piers and an adjacent slipway (the best of both worlds, some would say). We will move our existing 500-ton marine travelift over from our current shipyard.

By the time you read this letter, we would most likely have completed our move to the new Home of the Flex.

STAYING AHEAD

On the fleet expansion front, we continue to operate one of the crewboat industry's youngest fleets. In FY2021, we added six new crewboats to our fleet and sold two, compared with two and six respectively in the previous year.

Beyond the numbers, we introduced new features and improvements to our stock crewboats, security boats and windfarm vessels. For example, all our stock crewboats now come fitted with reclining business class seats as standard (each with a personalised in-seat USB charger). We no longer offer stock crewboats with economy class seats by default.

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

SIGNIFICANT SHIPBUILDING PROJECTS

In FY2021, our Batam yard delivered our largest and most luxurious newbuild ferry to date - a 46-metre, 450-pax, triple-deck passenger ferry christened "Nordlicht II" - to a 150-year-old German company for operations off northern Germany. It is worth highlighting that this was our first build-to-order project for a European client for operations in Europe.

"Nordlicht II" was also the first vessel to be launched using our new 700-ton marine travelift.

Still in Europe, we sold two stock WindFlex-27 Crew Transfer Vessels (CTV) for offshore windfarms to an Irish owner and sailed the first boat from Singapore to Ireland using our own crew.

Both first-time clients have since come back for repeat orders.

Europe is an important new market for us not just because it has a well-established maritime eco-system. It is also an important hub that sets standards in the innovation

and application of decarbonisation technology. Our European clients give us a rare first-hand experience in this unique setting.

STEPPING UP

Back in Singapore, we are in the midst of commissioning a 35-metre hybrid-electric patrol boat for a Singapore government agency after spending a good part of FY2021 on design, engineering and construction. This vessel will be Singapore's first hybrid-electric patrol boat and Penguin's second hybrid-electric newbuild, after Penguin Tenaga (currently working for Shell).

Another significant development in the new energy space is a contract awarded in September 2021 by Shell for the design, construction and operation of pure electric ferries that will run between Pasir Panjang and Pulau Bukom, starting in 1Q2023. This landmark electrification project, which includes high-powered rapid shore chargers, is a first for Shell worldwide and a first for Singapore (and Penguin too).

We expect to take on more of such new energy projects in the near future.

A COMPASSIONATE HEART (OUR PREFERRED C-WORD)

As always, we are grateful to our employees for their efforts and sacrifices in yet another challenging year. It is worth noting that more than half of our workforce have not seen their loved ones in over two years.

We continue to express our gratitude to our migrant workers, who are still denied their freedom and way of life, while the rest of us are barely inconvenienced. Let us spare a thought and a prayer for these unsung heroes.

On the administrative front, we are pleased to welcome on board three new directors, Mr Winston Kwek (our new Lead Independent Director and Remuneration Committee Chairmain), Mr Henry Tan (our new Independent Director and Audit and Risk Committee Chairman) and Mr Keith Tan (our new Non-Independent, Non-Executive Director). The three gentlemen bring with them a vast depth of knowledge and experience in their respective fields that will go a long way towards guiding Penguin towards a bold new future.

Special thanks to you, our shareholders, and to our clients and project partners. We are mindful to never take anyone or anything for granted.

Together, let us break free from this cycle of false dawns and broken promises.

JEFFREY HING
Executive Chairman

JAMES THAM
Managing Director



BOARD OF DIRECTORS



MR. JEFFREY HING YIH PEIR

Executive Chairman

Mr. Hing was appointed Chairman of Penguin on 24 February 2010 and re-designated as Executive Chairman on 28 April 2011. As Chairman, he is responsible for the development and strategic direction of Penguin, managing the quality, quantity and timeliness of the information flow between Management and the Board, as well as ensuring compliance with Penguin's guidelines on corporate governance.

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

Mr. Hing has more than 30 years of experience in the marine and offshore industry in a variety of roles including finance and administration, business development and management. He is the founder and managing director of Trinity Offshore Pte. Ltd., a Singapore-based owner-operator of offshore support/utility vessels.

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

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



MR. JAMES THAM TUCK CHOONG

Managing Director

Mr. Tham was appointed Managing Director on 1 October 2008 and was last re-elected on 25 April 2019. He was previously the Chief Operating Officer and an Executive Director from August 2008, responsible for strategic business development, focusing on key overseas markets, mergers and acquisitions, as well as investor relations. Mr. Tham joined Penguin in November 2006 as its Business Development Director.

Prior to joining Penguin, Mr. Tham served in a variety of roles in the offshore oil and gas industry. He previously worked as a Petroleum Correspondent with Upstream, the international oil and gas newspaper; a Business Development Manager with New York-based Seacor Holdings Inc.; and later served as a Corporate Advisor to the group, as well as to several independent petroleum exploration companies in the region. He serves on the Industry Advisory Committee (IAC) for the SIT-Newcastle University Joint Marine Degree Programmes, BEng(Hons) in Marine Engineering, Naval Architecture and Offshore Engineering. Mr. Tham holds a Bachelor of Science Degree in Journalism and a Bachelor of Business Administration Degree.

BOARD OF DIRECTORS



MS. JOANNA TUNG MAY FONG

Finance and Administration Director

Ms. Tung was appointed Finance and Administration Director in May 2008 and last re-elected on 25 April 2019. She is responsible for the Group's accounting and finance, corporate reporting, management information system and human resources functions.

Ms. Tung joined the Group in 2000 as an Accountant, and was promoted to Group Financial Controller in 2006, and subsequently Finance and Administration Director in 2008. Her duties and responsibilities have, over the years, been expanded to include management of Penguin's accounting and finance activities, as well as corporate reporting and related Group administration.

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



MR. WINSTON KWEK CHOON LIN

Lead Independent Director

Mr. Kwek was appointed a Director of Penguin International Limited on 29 April 2021. He serves as the Lead Independent Director, a member of the Audit and Risk Committee and Nominating Committee and Chairman of the Remuneration Committee. He is a partner at Rajah & Tann Singapore LLP. Specialising in international trade and shipping law, Mr. Kwek is experienced in maritime issues. Since 2000, he has been nominated by various established legal publications as one of the leading lawyers in the region, especially in areas of shipping and maritime law, and was appointed by the Singapore Academy of Law in 2019 as a Senior Accredited Specialist on its inaugural panel of Maritime and Shipping Specialists.

Mr. Kwek graduated with a Bachelor of Law (Honours) from the National University of Singapore in 1990 and was called to the Singapore Bar in March 1991. Between 2003 and 2016, he was an Adjunct Associate Professor in the Faculty of Law at the National University of Singapore, teaching the Law of Marine Insurance. Mr. Kwek also sits, as an independent director, on the board of BH Global Corporation Limited, a company listed on the SGX.



MR. HENRY TAN SONG KOK

Independent Director

Mr. Tan was appointed as Director of Penguin International Limited on 1 July 2021. He is the Chairman of the Audit and Risk Committee and a member of the Remuneration Committee. He is the Group CEO & Chief Innovation Officer of Nexia TS Group and was previously the Asia Pacific Regional Chairman and board member of Nexia International. Mr. Tan currently sits as an independent director on the boards of Asia Vets Holdings Ltd, BH Global Corporation Limited, Dyna-Mac Holdings Ltd. and Trans-China Automotive Holdings Limited, companies listed on the SGX, as well as China New Town Development Co. Ltd, a company listed on the Hong Kong Stock Exchange.

Mr. Tan is the Chairman of the Nanyang Business School Dean's Alumni Advisory Board of NTU and serves as the Chairman of Awareness Subcommittee on Sustainability and Climate Change of the ISCA, a member of the ISCA Sustainability and Climate Change Committee and a council member of the ISCA. He is a treasurer and council member of ASEAN Federation of Accountants. He was previously on the EXCO & served as Treasurer of Singapore Fintech Association, President of Spirit of Enterprise and Chapter President of Entrepreneurs' Organisation.

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

BOARD OF DIRECTORS



MR. LEOW BAN TAT

Independent Director

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

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

Mr. Leow holds a Master's degree in Business Administration from Monash University, Australia, receiving the KPMG Peat Marwick Prize for Strategic Management. He also obtained a First Class Marine Engineering Certificate of Competency from DTI in Newcastle-upon-Tyne, United Kingdom in 1985 after graduating with a Diploma in Marine Engineering (Merit) from the Singapore Polytechnic on an Esso scholarship.

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



MR. KEITH TAN KENG SOON

Non-Independent Non-Executive Director

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

He is the Chairman of the Dymon Asia Private Equity Investment Committee and a founding partner of Dymon Asia Capital, one of the largest asset management companies in Singapore. Prior to Dymon, he was a Director at Abax Global Capital, a special situations hedge fund based in Hong Kong, where he originated, structured and executed investment transactions across Asia. During his career, Mr. Tan was also a member of the Executive Committee of Standard Chartered Bank (China), Legal Representative and Branch Manager of Standard Chartered Bank's Shanghai Branch.

Mr. Tan graduated with a 2nd Class Honours in Banking and Finance from Nanyang Technological University. He is a Council Member as well as the Vice Chairman of the International Affairs Committee of the 60th Council of Singapore Chinese Chamber Commerce & Industry. He is the Patron of the Chong Pang Citizens' Consultative Committee and serves on the Board of Governors of the UOB-SMU Asian Enterprise Institute. He is also the Vice-Chairman of The Yellow Ribbon Fund Main Committee and serves as Chairman of the Yellow Ribbon Fund Advancement Sub-Committee.

KEY MANAGEMENT PERSONNEL

MR. LAW CHWAN YAW

Group Financial Controller

Penguin International Limited

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

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

MR. JOEL LEE WEI KHAI

General Manager

Group Shipbuilding and Repair

Penguin Shipyard International Pte Ltd

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

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

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

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

MR. PHILIP CHAN BAN ENG

Deputy General Manager

PT Kim Seah Shipyard Indonesia

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

With 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. GEORGE PHILIP

General Manager

Group Commercial and Fleet

Penguin International Limited

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

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

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

CORPORATE MILESTONES



1972

2021

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

2012

Debut of Flex Fighter security boat.

2006

Debut of Flex-36 crewboat.

1997

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

2013

50th Flex crewboat delivered.

2014

Debut of Flex-40 crewboat and Flex Ferry.

2015

100th Flex crewboat delivered.

2019

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

Delivered first windfarm support vessel to a Taiwanese owner.

First Flex Ferry X delivered to a South African owner.

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

150th crewboat delivered.

2016

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

2020

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

2021

Awarded LowCarbonSG status by Carbon Pricing Leadership Coalition Singapore.

Delivered our largest and most luxurious passenger ferry to Germany.

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

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



OPERATING AND FINANCIAL REVIEW



Flex-42X Executive Fast Crew Boat for Egypt

HIGHLIGHTS OF FY2021

In FY2021, Penguin posted a net profit after tax of \$12.7 million on revenue of \$132.6 million, compared with \$13.2 million and \$119.4 million respectively the year before. Over the same period, gross profit margin and net profit margin fell to 28.0% and 9.6% respectively (from 28.1% and 11.1% in FY2020). Our margins have hit their lowest levels since 2018. For insights on margin pressures, please refer to our Shareholders' Letter from pages 12 to 14.

Our net profit after tax of \$12.7 million in FY2021 included \$3.7 million in fleet vessel sales (versus \$5.3 million in FY2020) and \$1.4 million in government support programmes such as the Jobs Support Scheme and foreign worker levy rebates and waivers (versus \$3.5 million in FY2020 which also included rental waivers and property tax rebates).

From FY2020 to FY2021, our cash and short-term deposits fell 47.4% to \$21.0 million and our cash ratio declined from 0.84 to 0.46, as total borrowings rose from \$4.5 million to \$15.2 million.

Over the same period, shipbuilding, ship repair and maintenance revenue rose 8.8% to \$106.3 million, with 13 stock vessels sold (versus 9 in FY2020). Chartering revenue rose 21.4% to \$26.3 million, as utilisation rates improved slightly and charter rates stabilised.

In FY2021, our shipyards in Tuas and Batam delivered 23 new vessels (versus 27 in FY2020), of which 13 were built for stock (versus 9 in FY2020), 8 were built for charters (versus 5 in FY2020) and 2 were built to order (versus 13 in FY2020). Our shipyards remained open and operational throughout FY2021, with minimal disruption.

As at 31 December 2021, we had 16 crewboats in our chartering fleet, up from 12 the previous year. As part of our fleet renewal programme, we sold 2 crewboats from our fleet (versus 6 in FY2020). As a result, the average age of our crewboats as at the end of last year fell to 2.1 years, from 2.3 years in end 2020.

On the investment front, FY2021 was marked by high capital expenditure activities, where the Group invested in fleet expansion, upgrading of shipbuilding facilities in Batam and shipyard development at our new shipyard at 21 Tuas Road. These activities were funded mainly by internal funds and partially by bank borrowings.

In Batam, we upgraded our offices and shipyard facilities, and commissioned a pair of new 55-metre piers to accommodate a new 700-ton marine travelift (which operates independently from an existing 250-ton marine travelift that runs on its own piers). This additional investment serves to cement PT Kim Seah Shipyard Indonesia's status as one of the largest and most modern dedicated aluminium shipbuilding in Asia.

In Tuas, we are close to completing the first phase of the development of our new shipyard at 21 Tuas Road, which has double the land area of our current premises at 18 Tuas Basin Link. The works include renovating an existing office block and constructing three new workshops and a new waterfront comprising a pair of 50-metre piers and an adjacent slipway, which are designed to operate independently of each other. We will shift our existing 500-ton marine travelift over from our current shipyard and complete our move by end April 2022.

Beyond the numbers, we introduced new features and improvements to our stock crewboats, security boats and windfarm vessels. For example, all our stock crewboats now come fitted with reclining business class seats as standard (each with a personalised in-seat USB charger). We no longer offer stock crewboats with economy class seats as default.



Shipbuilding, repair and maintenance Revenue

8.8% ▲



Stock Vessels Sold

13



Chartering Revenue

21.4% ▲



33m Flex Ferry X in Port Blair, India

OPERATING AND FINANCIAL REVIEW



46m catamaran passenger ferry in Emden, Germany



"Penguin Tenaga", Singapore's first hybrid-electric pilot boat



WindFlex-27 windfarm crew transfer vessel in Ireland

We were also conferred Singapore's LowCarbonSG status - a public recognition of our decarbonisation commitment and outcomes - by the Carbon Pricing Leadership Coalition Singapore, the National Environment Agency and Enterprise Singapore.

FY2021 also saw us laying down a few new milestones:

- We delivered Singapore's first hybrid-electric pilot boat, "Penguin Tenaga", to Shell.
- We were awarded a contract by Shell to design, build, own and operate a fleet of pure electric ferries and high-powered rapid shore chargers to replace a fleet of conventional diesel-powered passenger ferries that ply between Pasir Panjang and Pulau Bukom in Singapore. This electrification project is a first for Shell worldwide, a first for Singapore and a first for Penguin.
- We delivered our largest and most luxurious newbuild ferry to date - a 46-metre, 450-pax, triple-deck passenger ferry christened "Nordlicht II" - to a 150-year-old German company for operations off northern Germany. This was our first build-to-order project for a European client for operations in Europe.



WindFlex-27: Our flagship stock windfarm vessel

- We sold one stock WindFlex-27 Crew Transfer Vessel (CTV) for offshore windfarm to an Irish owner and sailed the boat from Singapore to Ireland using our own crew.

We expect to take on more of such new energy projects in the near future.

As always, we will continue to manage our cash flow and business conservatively as we work to secure new shipbuilding projects and charters going forwards. Penguin's Board of Directors has recommended a dividend of 2.25 cents per share for the FY2021 financial year.

By end April 2022, we expect to deliver Singapore's first hybrid-electric patrol boat to a local government agency. The 35-metre purpose-built vessel is fitted with conventional diesel engines, electric motors and drives, and large banks of batteries that will enable it to operate in "zero-emission quiet mode" for extended periods.

KEY BALANCE SHEET HIGHLIGHTS

(\$'MILLION)

	As at 31 Dec 2021	As at 31 Dec 2020
Total Assets	256.8	237.3
Property, plant and equipment ¹	109.0	100.5
Inventories ²	46.3	57.3
Cash, bank balances and fixed deposits	21.0	40.0
Total Current Liabilities	46.0	47.4
Total Equity	191.9	174.6

Notes

¹ "Property, plant and equipment" comprises primarily vessels in the Group's fleet.

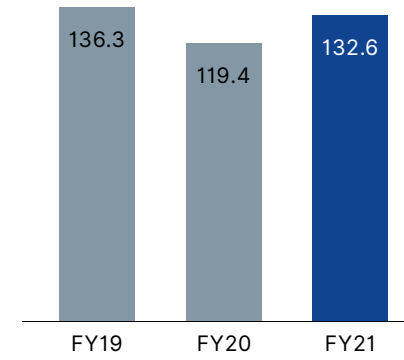
² "Inventories" comprises primarily stock vessels under construction.



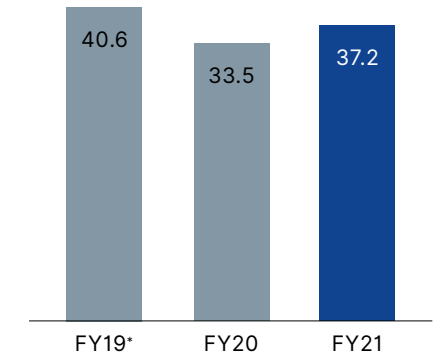
KEY FINANCIAL HIGHLIGHTS

IN FY2021

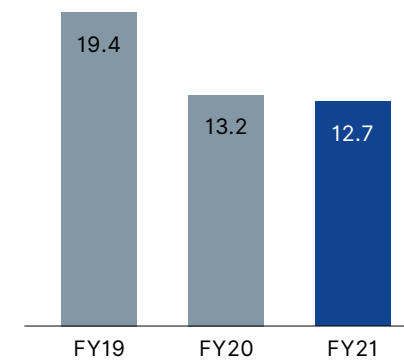
REVENUE
(\$'M)



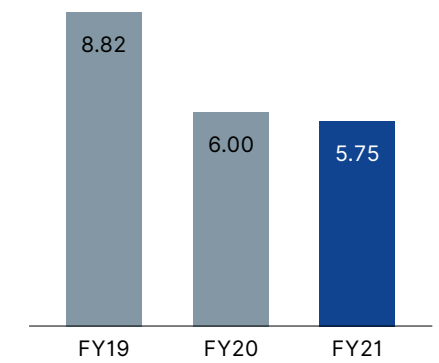
GROSS PROFIT
(\$'M)



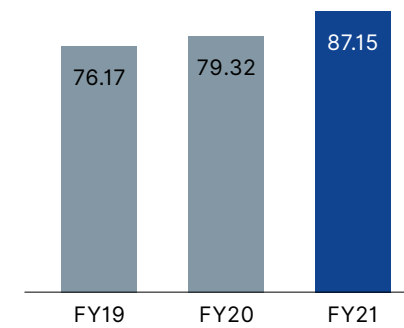
NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS
(\$'M)



EARNINGS PER SHARE
(SGD CENTS)



NET ASSET VALUE PER SHARE
(SGD CENTS)



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

CORPORATE INFORMATION

DIRECTORS

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

COMPANY SECRETARIES

Heng Michelle Fiona
Lo Swee Oi

REGISTERED OFFICE

21 Tuas Road
Singapore 638489

BANKERS

DBS Bank Ltd
Malayan Banking Berhad
Standard Chartered Bank

SHARE REGISTRAR

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

AUDITORS

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

CORPORATE GOVERNANCE REPORT

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

The Board is pleased to confirm that for the financial year ended 31 December 2021, the Company has adhered to the principles and provisions as set out in the Code and where the Company's practices vary from any of the provisions of the Code, this is stated with an explanation of the reason for the variation and how the practices it has adopted are consistent with the intent of the relevant principle.

BOARD MATTERS

BOARD'S CONDUCT OF AFFAIRS

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

The Board comprises seven Directors, of whom three are Independent Directors and there is one Non-Executive Director. The Board members are:

Rule 210(5)(c)

	Board	Audit & Risk Committee "AC"	Nominating Committee "NC"	Remuneration Committee "RC"
Jeffrey Hing Yih Peir	Executive Chairman	-	Member	-
James Tham Tuck Choong	Managing Director	-	-	-
Tung May Fong	Finance and Administration Director	-	-	-
Winston Kwek Choon Lin ¹	Lead Independent & Non-executive Director	Member	Member	Chairman
Leow Ban Tat	Independent & Non-executive Director	Member	Chairman	Member
Keith Tan Keng Soon ²	Non-Independent & Non-executive Director	-	-	-
Henry Tan Song Kok ³	Independent & Non-executive Director	Chairman	-	Member

Rule 1207(10B)

¹ Mr Winston Kwek was appointed an Independent Non-Executive Director, Lead Independent Director and member of the AC, NC and RC on 29 April 2021. He was appointed the RC Chairman on 1 July 2021.

² Mr Keith Tan was appointed a Non-Independent Non-Executive Director on 9 June 2021.

³ Mr Henry Tan was appointed an Independent Non-Executive Director, AC Chairman and a member of the RC on 1 July 2021.

The profiles and key information of the Directors are also set out on pages 15 to 18 of this Annual Report.

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

Provision 1.1

CORPORATE GOVERNANCE REPORT (CONT'D)

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

Board Orientation, Training And Updates

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

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

The Company recognises the importance of building a diverse Board to achieve long term sustainable development and as part of the board renewal process, Mr Winston Kwek Choon Lin ("Mr Winston Kwek") and Mr Henry Tan Song Kok ("Mr Henry Tan") joined the Board of Directors as Independent Non-Executive Directors on 29 April 2021 and 1 July 2021 respectively and Mr Keith Tan Keng Soon ("Mr Keith Tan") was appointed as a Non-Independent Non-Executive Director on 9 June 2021. The Company believes that Mr Winston Kwek, Mr Keith Tan and Mr Henry Tan, with their wealth of working experience, will be able to provide new perspectives to the Board which will contribute to the core competencies of the Board.

Mr Keith Tan is attending the Listed Entity Director Programme comprising LED 1 to LED 8 conducted by SID.

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

Provision 1.1

Provision 1.2

Provision 4.4

Provision 1.2

CORPORATE GOVERNANCE REPORT (CONT'D)

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

Principal Duties of the Board

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

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

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

Matters Requiring Board Approval

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

Provision 1.6

Provision 1.3

CORPORATE GOVERNANCE REPORT (CONT'D)

Delegation to Board Committees

The Board has delegated specific responsibilities to three committees namely, the AC, the NC and the RC to assist in the execution of its responsibilities. Each committee has its own written terms of reference which clearly sets out its objectives, duties, powers and responsibilities and which has been amended to be in line with the Code. 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.

Provision 1.4

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

Attendance at Board and Committee Meetings

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

Provision 1.5

Provision 1.6

The attendance of the Directors at meetings of the Board and other Committees during the FY2021 is as follows:

Provision 1.5

Meetings of:	Board	AC	NC	RC
No. of Meetings held:	5	4	1	1
Name of Director:	Attended	Attended	Attended	Attended
Jeffrey Hing Yih Peir	5	-	1	-
James Tham Tuck Choong	5	-	-	-
Tung May Fong	5	-	-	-
Ong Kian Min ¹	2	2	1	1
Leow Ban Tat	5	4	1	1
Paul Tan Poh Lee ²	2	2	-	1
Winston Kwek Choon Lin ³	3	2	-	-
Keith Tan Keng Soon ⁴	2	-	-	-
Henry Tan Song Kok ⁵	2	2	-	-

¹ Mr Ong Kian Min stepped down as the Lead Independent Director, AC Chairman and member of the NC and RC on 29 April 2021.

² Mr Paul Tan Poh Lee stepped down as an Independent Non-Executive Director, RC Chairman and AC member on 29 April 2021.

³ Mr Winston Kwek was appointed an Independent Non-Executive Director, Lead Independent Director and a member of the AC, NC and RC on 29 April 2021. He was appointed RC Chairman on 1 July 2021.

⁴ Mr Keith Tan was appointed a Non-Independent Non-Executive Director on 9 June 2021.

⁵ Mr Henry Tan was appointed an Independent Non-Executive Director, AC Chairman and a member of the RC on 1 July 2021.

CORPORATE GOVERNANCE REPORT (CONT'D)

In addition to the above, the Independent Directors had met with the internal auditors and external auditors without the presence of the Executive Directors or Management at least once in 2021.

Provision 10.5

During FY2021, the independent directors and non-executive director also met amongst themselves and/or with the Executive Directors and the management team on an ad hoc basis to approve and/or discuss specific issues or matters relating to the Group. Such informal discussion and meetings are not included in the above table.

Multiple Board Representations

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

Provision 1.5

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

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

Access to Information

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

Provision 1.6

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

Provision 1.7

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

CORPORATE GOVERNANCE REPORT (CONT'D)

BOARD COMPOSITION & GUIDANCE

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

The Board comprises seven Directors, of whom three are Independent Directors and there is a Non-independent and Non-executive director. Independent Directors comprise at least one-third of the Board and their independence is assessed and reviewed annually by the NC.

Rule 210(5)(c)

The NC conducted its annual review of directors' independence and was satisfied that the Company complied with Rule 210(5)(c) of the Listing Manual of SGX-ST (which took effect from 1 January 2022).

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

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

As part of the board renewal process, Mr Ong Kian Min and Mr Paul Tan Poh Lee had stepped down from the Board at the conclusion of the 2021 Annual General Meeting on 29 April 2021.

In line with the Board's intention of providing diversity of thought and background that will bring new perspectives to the Board for decision making, Mr Winston Kwek, Mr Keith Tan and Mr Henry Tan were appointed to the Board on 29 April 2021, 9 June 2021 and 1 July 2021 respectively. Mr Winston Kwek is currently a partner of Rajah & Tann Singapore LLP. He brings along broad practice experience in all aspects of admiralty and shipping practice. Mr Keith Tan, currently a Co-Founder and Managing Director of Dymon Asia Capital, is predominantly focusing in private equity, where he has led a number of high-performing investments. Mr Henry Tan is the Group CEO and Chief Innovation Officer of Nexia TS Group who brings along his expertise in auditing and accounting perspectives. The NC continues to review the need for progressive renewal of the Board from time to time.

Board Independence

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

Provision 2.1

Rule 210(5)(d) of the Listing Manual of the SGX-ST also sets out circumstances under which a director will not be independent. A director will not be considered independent if he is employed by the Company or any of its related corporations for the current or any of the past three (3) financial years or if he has any immediate family members who is employed by the Company or any of its related corporations for the past three (3) financial years and whose remuneration is determined by the RC.

Rule 210(5)(d)

CORPORATE GOVERNANCE REPORT (CONT'D)

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

Provision 2.1

Provision 4.4

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

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

Rule 210(5)

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

Rule 210(5)

Proportion of non-executive independent Directors

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

Provision 2.2

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

During FY2021, non-executive Directors constitute more than half of the Board. There are three executive Directors compared to three non-executive independent Directors and one non-executive non-independent director. There is also a Lead Independent Director and all Board Committees are chaired by Independent Directors. Therefore, the NC is of the view that the Board has sufficient independent elements and its composition is appropriate to facilitate effective decision making.

Provision 2.3

CORPORATE GOVERNANCE REPORT (CONT'D)

The independent and non-executive Directors constructively challenged and helped management develop proposals on business strategies for the Company and the Group, taking into consideration the long-term interests of the Group and its stakeholders. Their views and opinions also provide different perspectives to the Group's business. The independent and non-executive Directors also reviewed the performance of management in achieving agreed goals and objectives for the Company and the Group, and monitored the reporting of performance and ensures objectivity in such deliberations. The Company is in compliance with Rule 210(5)(c) of the Listing Manual of the SGX-ST, which requires the Board to have at least two non-executive Directors who are independent and free of any material business or financial connection with the Company.

Board Size and Board Diversity

The NC is of the view that the size of the Board and its board committees is appropriate taking into account the nature and scope of the Group's operations, the core competency and broad range of industry knowledge and business experience of the Directors to govern and contribute to the effectiveness and success of the Group. The NC reviews the size of the Board from time to time.

The Company recognises and embraces the benefits of diversity of experience, age, skill sets, gender and ethnics on the Board ("**Board Diversity**") and views Board Diversity as an essential element to support the attainment of its strategic objectives and sustainable development.

Although the Company does not have a written policy on Board Diversity, it has maintained a culture of diversity to benefit from a wide talent pool and is taking steps to implement a Board Diversity Policy in due course.

In terms of the Board's composition, the Company also seeks to have a Board that comprises directors who, as a group, not only provide an appropriate balance and have diversity of professional experience, skills and knowledge and independence but also of other aspects such as gender and age and other relevant factors. Gaps identified, if any, will be considered in determining the optimum composition of the Board, and where possible, will be balanced appropriately.

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

The Board comprises three Executive Directors and four Non-Executive Directors (which includes three Independent Non-Executive Directors and one Non-Independent Non-Executive Director) during year 2021. The Company has a strong element of oversight on the Board with a majority of Non-Executive Directors representing four out of the total of seven Board members. The Directors are between the ages of 49 to 66 and the Company has one female Director on the Board. In terms of board independence, there are three independent non-executive Directors and one non-independent non-executive Directors out of a total of seven Directors.

Rule 210(5)(c)

Provision 2.4

Provision 2.4

Provision 2.4

Provision 2.4

CORPORATE GOVERNANCE REPORT (CONT'D)

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

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

Provision 2.5

CHAIRMAN AND MANAGING DIRECTOR

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

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

*Provision 3.1
Rule 1207(10B)*

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

Provision 3.2

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

Lead Independent Director

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

Provision 3.3

CORPORATE GOVERNANCE REPORT (CONT'D)

BOARD MEMBERSHIP

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

NC Composition and Role

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

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

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

- (a) making recommendations to the Board on relevant matters relating to:
 - (i) the review of succession plans for Directors, in particular the appointment and/or replacement of the Chairman, the CEO and key management personnel;
 - (ii) the process and criteria for evaluation of the performance of the Board, its Board Committees and Directors;
 - (iii) the review of training and professional development programmes for the Board and its Directors;
 - (iv) the appointment and re-appointment of Directors (including alternate directors, if any);
- (b) determining annually, and as and when circumstances require, if a Director is independent, and providing its views to the Board in relation thereto for the Board's consideration;
- (c) reviewing the independence of any Director who has served on the Board for more than nine (9) years from the date of his first appointment and the reasons for considering him as independent;
- (d) where a Director or proposed Director has multiple board representations, deciding whether the Director is able to and has been adequately carrying out his duties as a Director taking into consideration the Director's number of listed company board representations and other principal commitments.

Nomination and selection of Directors

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

Provision 1.4
Provision 4.2
Rule 1207(10B)

Provision 4.1

Provision 4.3

CORPORATE GOVERNANCE REPORT (CONT'D)

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. Mr Winston Kwek was appointed at the 2021 AGM held on 29 April 2021. As Mr Keith Tan and Mr Henry Tan were appointed in 2021 after the 2021 AGM, they will retire at the forthcoming AGM in 2022 for re-election.

Rule 720(5)

Key information of each director is set out on pages 15 to 18 of this Annual Report and the dates of their initial appointment and last appointment/re-election are set out below:

Name of Director	Date of initial appointment	Date of last appointment/re-election
Jeffrey Hing Yih Peir	2 February 2009	29 May 2020
James Tham Tuck Choong	15 August 2008	25 April 2019
Tung May Fong	2 May 2008	25 April 2019
Leow Ban Tat	28 April 2015	29 May 2020
Winston Kwek Choon Lin	29 April 2021	29 April 2021
Keith Tan Keng Soon	9 June 2021	-
Henry Tan Song Kok	1 July 2021	-

At the 2022 AGM, Mr James Tham Tuck Choong ("James Tham") and Ms Tung May Fong are due for retirement by rotation pursuant to Regulation 92 of the Company's Constitution. Mr Keith Tan and Mr Henry Tan will also be retiring pursuant to Regulation 98 of the Company's Constitution. The NC has reviewed and have recommended that Mr James Tham, Ms Tung May Fong, Mr Keith Tan and Mr Henry Tan who, being eligible, have offered themselves up for re-election, be re-elected. The Board has accepted the NC's recommendation and is recommending the same for shareholders' approval at the 2022 AGM. Additional information relating to the Directors seeking re-election is set out on pages 146 to 158 of the Annual Report, in accordance with Rule 720(6) of the Listing Manual of the SGX-ST.

Continuous review of Directors' independence

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

Provision 4.4

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

Directors' time commitments

The NC endeavours to ensure that new directors are aware of their duties and obligations. The NC also decides if a Director is able to and has been adequately carrying out his or her duties as a director of the Company. As part of the assessment of the performance of each individual Director, there is consideration of whether sufficient time and attention has been given by the Director to the affairs of the Company. The NC is satisfied that all Directors were able to and have adequately carried out their duties as a Director of the Company for FY2021.

Provision 4.5



CORPORATE GOVERNANCE REPORT (CONT'D)

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

The listed company directorships and principal commitments of each Director are disclosed on pages 15 to 18 and 146 to 158 of the Annual Report.

As at 31 December 2021, there is no alternate director on the Board.

BOARD PERFORMANCE

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

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

Provision 5.1

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

Provision 5.2

REMUNERATION MATTERS

PROCEDURES FOR DEVELOPING REMUNERATION POLICIES AND LEVEL AND MIX OF REMUNERATION

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

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

CORPORATE GOVERNANCE REPORT (CONT'D)

Composition and Role

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

Provision 1.4

Provision 6.2

Rule 1207(10B)

Winston Kwek Choon Lin (Chairman)

Henry Tan Song Kok

Leow Ban Tat

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

Provision 6.1

- (a) reviewing and making recommendations to the Board on:
 - (i) a framework of remuneration for the Board and key management personnel; and
 - (ii) the specific remuneration packages for each Director as well as for the key management personnel,

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

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

Provision 6.3

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

Provision 6.4

Remuneration Framework

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

Provision 7.1

CORPORATE GOVERNANCE REPORT (CONT'D)

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

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

The Board concurred with the RC that the proposed directors' fees for the year ended 31 December 2021 are appropriate and not excessive, taking into consideration the level of contributions by the Directors and factors such as effort and time spent for serving on the Board and Board Committees, as well as the responsibilities and obligations of the directors. The payment is subject to approval of the shareholders at each AGM. No individual Director is involved in deciding his own remuneration.

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

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

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

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

DISCLOSURE OF REMUNERATION

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

Provision 7.2

Provision 7.3

CORPORATE GOVERNANCE REPORT (CONT'D)

Notwithstanding that it is a variation from Provision 8.1 of the 2018 Code, the Company wishes to disclose the remuneration of the Executive Directors in bands of \$250,000 for FY2021. The Company is of the view that the intent of Principle 8 was met, as the remuneration policies and the procedure for setting remuneration applicable to the Executive Directors are described above, and the level and mix of remuneration is disclosed in the table below.

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

Details of remuneration and benefits of Directors and key management personnel for the financial year ended 31 December 2021 which will provide sufficient overview of the remuneration of Directors and key management personnel as set out below:-

	Directors' Fees* %	Salary %	Bonus %	Other benefits %	Total %
Executive Directors					
Between \$500,000 and \$750,000					
James Tham Tuck Choong	-	57	38	5	100
Tung May Fong	-	66	34	-	100
Between \$250,000 and \$500,000					
Jeffrey Hing Yih Peir	-	59	41	-	100
Non-Executive Directors					
Below \$100,000					
Ong Kian Min ¹	100	-	-	-	100
Leow Ban Tat	100	-	-	-	100
Paul Tan Poh Lee ²	100	-	-	-	100
Winston Kwek Choon Lin ³	100	-	-	-	100
Henry Tan Song Kok ⁴	100	-	-	-	100
Keith Tan Keng Soon ⁵	-	-	-	-	-

* Directors' Fees are subject to shareholders' approval at the AGM to be held on 28 April 2022.

¹ Mr Ong Kian Min stepped down as a Director on 29 April 2021.

² Mr Paul Tan Poh Lee stepped down as a Director on 29 April 2021.

³ Mr Winston Kwek Choon Lin was appointed as a Director on 29 April 2021.

⁴ Mr Henry Tan Song Kok was appointed as a Director on 1 July 2021.

⁵ Mr Keith Tan Keng Soon was appointed as a Director on 9 June 2021.



CORPORATE GOVERNANCE REPORT (CONT'D)

Key Management Personnel

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

Provision 8.1(b)

Given the challenging industry conditions, the Company's view on the disclosure in aggregate of the total remuneration paid to the top 4 key management personnel (who are not directors or the CEO) are disclosed only in bands of \$250,000 as such disclosure is not in the best interest of the Company in light of the competitive business environment that the Group operates in as well as the competitive pressures in the talent market.

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

The profiles of the top 4 key management personnel are found on page 19 of this Annual Report.

Remuneration Band	No. of Key Management Personnel
Below \$250,000	4

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

Provision 8.2

Mr. Tung Tak Wai, who is the brother of Executive Director, Ms. Tung May Fong, is an employee in a managerial position in the Company. His remuneration was between \$100,000 and \$125,000 for the financial year ended 31 December 2021.

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

Provision 8.3

The Company does not have any employee share option scheme.

Rule 1207(16)

ACCOUNTABILITY & AUDIT

RISK MANAGEMENT AND INTERNAL CONTROLS

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

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

Provision 9.1

CORPORATE GOVERNANCE REPORT (CONT'D)

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

Provision 9.2

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

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

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

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

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

Rule 1207(10)

AUDIT AND RISK COMMITTEE

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

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

Provision 1.4

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

Provision 10.2

Rule 1207(10B)

AC Composition and Role

The profiles of each AC members are set out on pages 16 to 18 of this Annual Report. The Board is of the view that the members of the AC have recent and relevant accounting or related financial management knowledge, expertise and experience to discharge their responsibilities properly.

Provision 10.2



CORPORATE GOVERNANCE REPORT (CONT'D)

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

Provision 10.3

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

Provision 10.1

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

Provision 10.1

- (a) reviewing the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the Company and any announcements relating to the Company's financial performance;
- (b) reviewing at least annually the adequacy and effectiveness of the Company's internal controls and risk management systems;
- (c) reviewing the assurance from the Managing Director and the Finance Director on the financial records and financial statements;
- (d) making recommendations to the Board on: (i) the proposals to the shareholders on the appointment and removal of external auditors; and (ii) the remuneration and terms of engagement of the external auditors;
- (e) reviewing the adequacy, effectiveness, independence, scope and results of the Company's external audit;
- (f) reviewing the adequacy, effectiveness, independence, scope and results of the Company's internal audit function;
- (g) reviewing the policy and arrangements for concerns about possible improprieties in financial reporting or other matters to be safely raised, independently investigated and appropriately followed up on;
- (h) deciding on the appointment, termination and remuneration of the head of the internal audit function, as the primary reporting line of the internal audit function is to the AC;
- (i) meeting with the external auditors, and with the internal auditors, in each case without the presence of Management, at least annually;
- (j) reviewing and recommending the nature and extent of the significant risks which the Company is willing to take in achieving its strategic objectives and value creation;
- (k) reviewing any matters relating to suspected fraud or irregularity, or suspected infringement of any Singapore laws or regulations or rules of the SGX-ST or any other regulatory authority in Singapore, which has or is likely to have a material impact on the Company's or Group's operating results and/or financial position, and the findings of any internal investigations, and Management's response thereto, discussing such matters with the external auditor and, at an appropriate time, reporting the matter to the Board;
- (l) carrying out the functions set out in Section 201B of the Companies Act;

CORPORATE GOVERNANCE REPORT (CONT'D)

(m) with reference to the Practice Guidance, having explicit authority to investigate any matter within its terms of reference, full access to and co-operation by Management, full discretion to invite any Director or executive officer to attend its meetings, and reasonable resources to enable it to discharge its functions; and

(n) reporting to the Board the significant issues and judgements that the AC considered in relation to the financial statements, and how these issues were addressed.

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

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

Internal Audit

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

Provision 10.4

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

Rule 1207(10C)

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

External Auditors

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

The external auditor has full access to the AC which can conduct or authorise investigations into any matters within its terms of reference. The AC also has full access to and co-operation from Management and the discretion to invite any Director or Executive Officer to attend its meetings and has reasonable resources to enable it to discharge its functions. Minutes of the AC meetings are regularly submitted to the Board for its information and review.

The AC confirms that it has reviewed the nature and extent of all audit and non-audit services performed by the external auditor in FY2021, to establish if their independence and objectivity had in any way been compromised. The audit and non-audit fees payable to PKF for FY2021 are disclosed on page 93 of this Annual Report. The AC is satisfied that the independence and objectivity of the external auditors have not been impaired by the provision of the non-audit services.

Rule 1207(6)(b)

CORPORATE GOVERNANCE REPORT (CONT'D)

The AC has also reviewed and confirmed that PKF is a suitable audit firm to meet the Company's audit obligations, having regard to the adequacy of resources and experience of the firm and the assigned audit engagement partner, PKF's other audit engagements, size and complexity of the Penguin Group, the number and experience of supervisory and professional staff assigned to the audit. Accordingly, the AC recommended to the Board the re-appointment of PKF as External Auditor of the Group for the year ending 31 December 2022. PKF has been engaged to audit the accounts of the Company and its Singapore-incorporated subsidiaries. The accounts of the significant foreign-incorporated subsidiaries are audited by PKF member firms in the respective countries.

Rules 712 and 715

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

Rule 712

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

Rule 715

AC's Activities in FY 2021

Provision 1.4 of the Code recommends, *inter alia*, that a summary of the AC's activities be disclosed in the annual report. The AC performs the functions specified in Section 201B of the Act, the Listing Manual of the SGX-ST and the Code. The AC met four times during FY2021. The AC reviewed and approved the internal audit plan for execution.

Provision 1.4

In FY2021, the internal and external auditors conducted audits that involve testing the effectiveness of the material internal controls systems in the Group. Any material non-compliance or lapses in internal controls together with corrective measures recommended by internal and external auditors were reported to the AC.

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

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

Provision 10.5

Whistle Blowing Policy

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

The AC is responsible for oversight and monitoring of whistleblowing and the AC reviews all whistleblowing complaints, if any, at its quarterly meetings to ensure independence, thorough investigation and appropriate follow-up actions are taken. The Company is committed to ensuring that whistle-blowers will be treated fairly, and protected against detrimental or unfair treatment for whistleblowing in good faith. The details of the Whistle-Blowing Policy are available on the Company's website. During FY2021, there was no incident of concern reported to the AC.

CORPORATE GOVERNANCE REPORT (CONT'D)

Significant financial statement reporting matters

The significant issues considered by the AC in relation to financial statements during the year ended 31 December 2021 are detailed below, alongside the actions taken by the AC to address these issues.

Significant matters considered

How these issues were addressed by the AC

Assessment of impairment of property, plant and equipment

The AC considered the approach and methodology adopted 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 adopted by management as well as by the independent valuer, and was satisfied that these were appropriate.

The external auditors have included the assessment of impairment of property, plant and equipment as a key audit matter in their report for the year ended 31 December 2021. This is at pages 58 and 59 of the Annual Report.

Revenue recognition measured based on the input method

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

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

The external auditors have included revenue recognition using the percentage-of-completion method as a key audit matter in their report for the year ended 31 December 2021. This is at page 59 of the Annual Report.

Assessment of impairment of trade receivables

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

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

The external auditors have included the assessment of impairment of trade receivables as a key audit matter in their report for the year ended 31 December 2021. This is at page 60 of the Annual Report.

Assessment of provision for taxation

In assessing the additional tax assessed to be payable by the overseas subsidiary for the years 2018 and 2019, the AC considered Management's approach and assumptions as well as the advice from the subsidiary's external tax professional firm to determine if any provision for FY2021 in relation the tax assessment will be required.

The AC discussed the above with the external auditors and reviewed the reasonableness of key assumptions and the approach adopted by management including seeking advice from external tax professional firm and was satisfied that these were appropriate.

Management has included this as a disclosure of contingent liability.

The external auditors have included the assessment of provision for taxation as a key audit matter in their report for the year ended 31 December 2021. This is at page 60 of the Annual Report.



CORPORATE GOVERNANCE REPORT (CONT'D)

SHAREHOLDERS' RIGHTS AND ENGAGEMENT

SHAREHOLDER RIGHTS, CONDUCT OF SHAREHOLDERS MEETINGS

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

Conduct of General Meetings and Interaction with Shareholders

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

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

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

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

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

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

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.

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

Provision 11.1

Provision 11.1

Provision 11.3

Provision 11.2

Provision 11.4

CORPORATE GOVERNANCE REPORT (CONT'D)

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

Provision 11.5

Conduct of AGM in 2021 amidst the current Covid-19 pandemic

In view of the COVID-19 situation in Singapore in FY2021 and the prevailing COVID-19 restrictions and advisories issued by the relevant authorities in Singapore and the related safe distancing measures in Singapore that were in effect at the relevant time, the AGM of the Company held on 29 April 2021 (the "2021 AGM") was convened and held by electronic means and shareholders were not able to attend the AGM in person. Alternative arrangements relating to the 2021 AGM held by electronic means were in-place.

Shareholders were invited to participate in the virtual 2021 AGM by (a) observing and/or listening to the proceedings via live-audio webcast and (b) submitting questions in advance of the 2021 AGM and (c) appointing the Chairman of the Meeting as proxy to attend, speak and vote on their behalf at the 2021 AGM.

The entire Board was present at the 2021 AGM. Whilst executive directors were present in person, the independent directors attended the 2021 AGM remotely.

In compliance with the checklist jointly issued by the ACRA, the Monetary Authority of Singapore and Singapore Exchange Regulation which provides further guidance to listed and non-listed entities on the conduct of general meetings during the period when elevated safe distancing measures are in place, the Company published the minutes of the 2021 AGM on SGXNET and the Company's corporate website, including responses to questions raised by shareholders in advance of the 2021 AGM.

Provision 11.5

Conduct of AGM in 2022

The forthcoming AGM of the Company to be held in respect of FY2021 on 28 April 2022 will also be held by way of electronic means, and similar alternative arrangements will be put in place to allow the shareholders to participate in and vote effectively at the forthcoming annual general meeting.

Shareholders are invited to participate at our virtual 2022 AGM by (a) observing and/or listening to the 2022 AGM proceedings via live-audio webcast or live audio-only stream; (b) submitting questions in advance of the 2022 AGM and (c) appointing the Chairman of the Meeting as proxy to attend, speak and vote on their behalf at the 2022 AGM. Details of the steps for pre-registration, submission of questions and voting at the 2022 AGM by shareholders, including CPF and SRS investors, are set out in a separate announcement released on SGXNET on 7 April 2022.

CORPORATE GOVERNANCE REPORT (CONT'D)

Dividend Policy

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

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

ENGAGEMENT WITH SHAREHOLDERS

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

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

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

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

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

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

Provision 11.6

Provision 12.1

Provision 12.2

Provision 12.3

CORPORATE GOVERNANCE REPORT (CONT'D)

MANAGING STAKEHOLDERS RELATIONSHIPS ENGAGEMENT WITH STAKEHOLDERS

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

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

The Company's efforts on sustainability are focussed on creating sustainable value for our key stakeholders, which include communities, customers, staff, regulators, shareholders and vendors. More details will be disclosed in the standalone Sustainability Report for the financial year ended 31 December 2021 which will be issued not later than 5 months after the end of the financial year.

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

OTHER CORPORATE GOVERNANCE MATTERS

DEALINGS IN SECURITIES

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

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

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

MATERIAL CONTRACTS

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

Provision 13.1

Provision 13.2

Provision 13.3

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

Rule 1207(19)(B)

Rule 1207(8)

CORPORATE GOVERNANCE REPORT (CONT'D)

INTERESTED PERSON TRANSACTIONS

The Group has established procedures to ensure that transactions with interested persons are undertaken on an arm's length basis and on normal commercial terms. The AC reviews on a quarterly basis all interested persons transactions, including transactions falling under the terms of the Company's general mandate (the "IPT Mandate") authorising the Group to enter into certain interested persons transactions with Jeffrey Hing Yih Peir and his associates to ensure that the prevailing Rules and regulations of the SGX-ST (in particular Chapter 9 of the SGX-ST Listing Manual) are complied with. The IPT Mandate was valid for the period from 1 January 2021 to 29 April 2021, and was not renewed at the 2021 AGM held on 29 April 2021. Interested person transactions which are not within the ambit of the IPT Mandate will be subject to Rules 905 and 906 of the Listing Manual.

The aggregate value of transactions conducted with the following interested persons pursuant to the IPT Mandate was not material (less than \$100,000) during the period from 1 January 2021 to 29 April 2021:

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

Save as disclosed below, there were no other significant interested person transactions during the financial year ended 31 December 2021:

Name of Interested Person	Nature of Relationship	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) S\$'000	Aggregate value of all interested person transactions conducted under a shareholders' mandate pursuant to Rule 920 of the SGX Listing Manual (excluding transactions less than \$100,000) S\$'000
Transaction for the Sale of Goods and Services			
Trinity Offshore Pte Ltd	Associate of Jeffrey Hing Yih Peir	26	12
Transaction for the Purchase of Goods and Services			
Trinity Offshore Pte Ltd	Associate of Jeffrey Hing Yih Peir	53	-
Trinity Marine Ltd	Associate of Jeffrey Hing Yih Peir	414	-

OTHER DISCLOSURE REQUIREMENTS

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

CORPORATE SOCIAL RESPONSIBILITY

In the introduction to the 2018 Code, it is stated that companies that embrace the tenets of good governance, including accountability, transparency and sustainability, are more likely to engender investor confidence and achieve long-term sustainable business performance. The Board strives to align the Group's strategic policies and practices with leading standards in the Environmental, Social and Governance (ESG) themes. Details of the Group's sustainability practices, including the corporate social responsibility initiatives during FY2021 and material ESG factors, are set out in the Company's stand-alone Sustainability Report which will be published by 31 May 2022.

DIRECTORS' STATEMENT

The Directors are pleased to present their statement to the members together with the audited consolidated financial statements of Penguin International Limited (the "Company") and its subsidiaries (collectively, the "Group") and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2021.

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 2021 and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

DIRECTORS

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

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

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

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



DIRECTORS' STATEMENT (CONT'D)

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The 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 1967, an interest in shares and share options of the Company and related corporations (other than wholly-owned subsidiaries), as stated below:

Name of Director	Held in the name of Directors			Deemed interest		
	At the beginning of financial year	At the end of the financial year	At 21 January 2022	At the beginning of financial year	At the end of the financial year	At 21 January 2022

The Company

Penguin International Limited (Ordinary shares)

Jeffrey Hing Yih Peir	–	–	–	46,792,849	176,240,539	176,240,539
James Tham Tuck Choong	666,666	–	–	–	–	–
Tung May Fong	51,500	–	–	–	–	–

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

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

OPTIONS

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

AUDIT AND RISK COMMITTEE

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

DIRECTORS' STATEMENT (CONT'D)

AUDITOR

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

On behalf of the Board of Directors,

James Tham Tuck Choong
Director

Tung May Fong
Director

29 March 2022.

INDEPENDENT AUDITOR'S STATEMENT

For the financial year ended 31 December 2021

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Penguin International Limited (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the balance sheets of the Group and the Company as at 31 December 2021, 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, 1967 (the Act) and Singapore Financial Reporting Standards (International) ("SFRS(I)s") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2021 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

Assessment of impairment of property, plant and equipment

The carrying amount of the Group's motor launches as at 31 December 2021 amounted to approximately \$76 million. We have reviewed the impairment loss at Group level and noted that no further impairment or reversal of impairment was made for the year ended 31 December 2021. We identified this as a key audit matter as the estimation of the recoverable amount involved significant management judgement and estimation.

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

INDEPENDENT AUDITOR'S STATEMENT

For the financial year ended 31 December 2021

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

Key Audit Matters (Cont'd)

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

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

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

Revenue recognition measured based on the input method

During the year, the Group's shipbuilding revenue amounting to approximately \$25 million is recognised over time using the input method to measure the progress of satisfaction of the performance obligation.

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

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

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

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



INDEPENDENT AUDITOR'S STATEMENT

For the financial year ended 31 December 2021

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

Key Audit Matters (Cont'd)

Assessment of impairment of trade receivables

The trade receivables of the Group as at 31 December 2021 amounted to approximately \$39 million. Management has performed an impairment review based on the expected credit loss ("ECL") model and based on the review, there is no additional impairment required on trade receivables.

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

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

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

Assessment of provision for taxation

An overseas subsidiary of the Group has received notices of tax assessments following tax audits carried out on the subsidiary for the years 2018 and 2019. An additional tax payable of S\$2.5 million was required based on the tax assessments received.

We identified this as a key audit matter as significant judgement is required by management in assessing the likelihood of the outcome of the matter and whether the risk of loss is remote, probable or not probable. Where the risk of loss is probable, management is required to estimate the provision amount based on the expected economic outflow resulting from the assessment. Where the risk of loss is not probable, contingent liability shall not be recognised, but is disclosed.

Based on the advice from the subsidiary's external tax professional that it does not see any merit to the tax assessments, management assessed that its position will be upheld in the appellate process. As such, no provision has been made in the financial statements in relation to this matter. The obligation has been disclosed as contingent liability under Note 39 – Contingent Liabilities.

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

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

INDEPENDENT AUDITOR'S STATEMENT

For the financial year ended 31 December 2021

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

Other Information

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

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I)s, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



INDEPENDENT AUDITOR'S STATEMENT

For the financial year ended 31 December 2021

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

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

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

PKF-CAP LLP
Public Accountants and
Chartered Accountants

Singapore

29 March 2022.

CONSOLIDATED INCOME STATEMENT

For the financial year ended 31 December 2021

	Note	2021 \$'000	2020 \$'000
Revenue	4	132,649	119,417
Cost of sales		(95,470)	(85,919)
Gross profit		<u>37,179</u>	<u>33,498</u>
Other income	5	7,311	10,043
Marketing and distribution costs		(239)	(195)
Administrative expenses	6	(20,728)	(20,960)
Other operating expenses	7	(8,346)	(6,847)
Impairment loss on trade receivable		(240)	(321)
Results from operating activities		<u>14,937</u>	<u>15,218</u>
Finance costs	8	(501)	(263)
Finance income	8	476	409
Profit before tax	10	14,912	15,364
Income tax expense	11	(2,244)	(2,157)
Profit for the year		<u>12,668</u>	<u>13,207</u>
Attributable to:			
Owners of the Company		12,669	13,208
Non-controlling interests		(1)	(1)
Profit for the year		<u>12,668</u>	<u>13,207</u>
Earnings per share (cents per share)			
- Basic	12	5.75	6.00
- Diluted	12	5.75	6.00

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 2021

	2021 \$'000	2020 \$'000
Profit for the year	12,668	13,207
Other comprehensive income/(loss):		
Items that may be reclassified subsequently to profit or loss		
Net effect of exchange differences arising from quasi capital loan to subsidiaries	1,226	(921)
Foreign currency translation	(45)	(35)
	1,181	(956)
Items that will not be reclassified subsequently to profit or loss		
Changes in fair value of equity investment at FVOCI	3,400	(1,457)
	3,400	(1,457)
Other comprehensive income/(loss) for the year, net of tax	4,581	(2,413)
Total comprehensive income for the year	17,249	10,794
Attributable to:		
Owners of the Company	17,250	10,795
Non-controlling interests	(1)	(1)
Total comprehensive income for the year	17,249	10,794

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



BALANCE SHEETS

As at 31 December 2021

	Note	Group		Company	
		2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Non-current assets					
Property, plant and equipment	13	108,951	100,451	525	1,606
Right-of-use assets	27	8,028	8,984	150	727
Investment in subsidiaries	14	–	–	19,571	19,551
Loan to a subsidiary	20	–	–	70,837	70,837
Other investments	15	6,557	3,157	6,557	3,157
Intangible asset	16	78	78	–	–
Trade receivables	18	18,096	–	–	–
Other receivables	19	1,507	2,345	–	–
		143,217	115,015	97,640	95,878
Current assets					
Inventories	17	46,255	57,344	–	–
Trade receivables	18	20,621	10,120	2,204	1,798
Other receivables and deposits	19	11,233	12,692	169	363
Contract assets	25	6,325	1,695	5,398	–
Prepayments		824	409	180	96
Derivatives		35	–	35	–
Loans to subsidiaries	20	–	–	53,507	34,886
Fixed deposits	21	2,264	4,201	–	–
Cash and bank balances	21	18,777	35,775	4,674	7,175
		106,334	122,236	66,167	44,318
Assets classified as held for sale	13	7,267	–	–	–
		113,601	122,236	66,167	44,318
Current liabilities					
Trade payables	22	11,854	18,767	82	–
Other payables and accruals	23	21,207	22,309	2,018	2,328
Provisions	24	1,031	483	491	–
Contract liabilities	25	2,717	776	442	428
Deferred income		–	500	–	124
Provision for income tax		1,801	2,209	458	518
Lease liabilities	27	827	1,350	150	765
Term loans	26	6,603	958	6,603	958
Deposits from subsidiaries	20	–	–	10,547	8,896
		46,040	47,352	20,791	14,017
Net current assets		67,561	74,884	45,376	30,301

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

BALANCE SHEETS (CONT'D)

As at 31 December 2021

	Note	Group		Company	
		2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Non-current liabilities					
Deferred tax liabilities	29	2,743	2,219	15	132
Provisions	24	154	1,765	–	1,604
Lease liabilities	27	7,366	7,783	–	–
Term loans	26	8,631	3,497	8,631	3,497
		18,894	15,264	8,646	5,233
Net assets		191,884	174,635	134,370	120,946
Share capital	30	94,943	94,943	94,943	94,943
Retained earnings		104,857	92,188	40,870	30,846
Other reserves	31	(7,911)	(12,492)	(1,443)	(4,843)
		191,889	174,639	134,370	120,946
Non-controlling interests		(5)	(4)	–	–
Total equity		191,884	174,635	134,370	120,946

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 2021

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

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

STATEMENTS OF CHANGES IN EQUITY (CONT'D)

For the financial year ended 31 December 2021

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

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

**STATEMENTS OF CHANGES IN EQUITY (CONT'D)**

For the financial year ended 31 December 2021

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

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

STATEMENTS OF CHANGES IN EQUITY (CONT'D)

For the financial year ended 31 December 2021

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

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

**CONSOLIDATED CASH FLOW STATEMENT**

For the financial year ended 31 December 2021

	Note	2021 \$'000	2020 \$'000
Operating activities			
Profit before tax		14,912	15,364
Adjustments for:			
Depreciation of property, plant and equipment and right-of-use assets		11,935	10,409
Gain on disposal of property, plant and equipment		(3,705)	(5,328)
Interest expense		439	218
Interest income		(476)	(409)
Property, plant and equipment and inventory written off		64	19
Impairment/ (reversal of impairment) on inventories		126	(20)
Allowance for doubtful trade receivable		240	321
Provision for employee retirement benefits		(9)	45
Net fair value gain on derivatives		(35)	–
Reversal of restoration cost on leased land		(1,500)	–
Provision for warranty claims on shipbuilding contracts, net		357	333
Currency alignment		63	(1,280)
Operating cash flows before changes in working capital		22,411	19,672
Inventories		116	(15,900)
Trade receivables		(28,837)	2,698
Other receivables, deposits and prepayments		1,928	(322)
Contract assets		(4,630)	1,573
Trade payables		(6,913)	2,729
Other payables and accruals		(1,102)	(14,691)
Provisions		87	(372)
Contract liabilities		1,941	(266)
Deferred income, including government grant		(500)	500
Cash flows used in operations		(15,499)	(4,379)
Interest paid		(439)	(218)
Interest received		476	409
Income taxes paid, net		(2,180)	(1,171)
Net cash flows used in operating activities		(17,642)	(5,359)

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

CONSOLIDATED CASH FLOW STATEMENT (CONT'D)

For the financial year ended 31 December 2021

	Note	2021 \$'000	2020 \$'000
Investing activities			
Proceeds from disposal of property, plant and equipment		13,263	21,762
Additions to property, plant and equipment		(23,862)	(36,092)
Net cash flows used in investing activities		(10,599)	(14,330)
Financing activities			
Proceed from term loans		12,237	5,000
Repayment of term loans		(1,458)	(628)
Dividends paid		-	(3,853)
Payment of principal portion of lease liabilities		(1,808)	(1,467)
Decrease/ (increase) in pledged deposits with licensed bank		2,568	(1,883)
Net cash flows generated from/ (used) in financing activities		11,539	(2,831)
Net decrease in cash and cash equivalents		(16,702)	(22,520)
Effect of exchange rate changes on cash and cash equivalents		334	710
Cash and cash equivalents at 1 January		35,340	57,150
Cash and cash equivalents at 31 December	21	18,972	35,340

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 2021

1. CORPORATE INFORMATION

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**2.1 Basis of preparation**

The Coronavirus Disease 2019 ("COVID-19") which was declared a pandemic in early 2020, continues to disrupt business activities and slow down economics globally including Singapore despite the roll-out-vaccination programmes. This has also led to an unprecedented level of market volatilities and economic uncertainties during the current financial year. These events and conditions have been considered in the preparation of the financial statements as at reporting date.

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

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

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

2.2 Adoption of new and amended standards and interpretations

The following standards and interpretations are effective for the annual period are effective for the annual period beginning on or after 1 January 2021:

Amendment to SFRS(I) 16 *Leases: Covid-19-Related Rent Concessions*
 Amendments to SFRS(I) 9 *Financial Instruments*, SFRS(I) 1-39 *Financial Instruments: Recognition and Measurement*, SFRS(I) 7 *Financial Instruments: Disclosures*, SFRS(I) 4 *Insurance Contracts*, SFRS(I) 16 *Lease: Interest Rate Benchmark Reform – Phase 2*

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



NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2021

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

2.3 *Standards issued but not yet effective*

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

Description	Effective for annual periods beginning on or after
Amendments to SFRS(I) 1-1: Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to SFRS(I) 1-1 and SFRS(I) Practice Statement 2: Disclosure of Accounting Policies	1 January 2023
Amendments to SFRS(I) 1-8: Definition of Accounting Estimates	1 January 2023
Amendments to SFRS(I) 3: Reference to the Conceptual Framework	1 January 2022
Amendments to SFRS(I) 1-12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to SFRS(I) 17: Initial Application of SFRS(I) 17 and SFRS(I) 9 – Comparative Information	To be determined
Amendments to SFRS(I) 10 and SFRS(I) 1-28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

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

2.4 *Basis of consolidation and business combinations*

(a) *Basis of consolidation*

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

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

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

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

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

- Derecognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost;
- Derecognises the carrying amount of any non-controlling interest;

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2021

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

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

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

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

(b) *Business combinations*

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

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

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

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

The accounting policy for goodwill is set out in Note 2.7. In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

2.5 *Transactions with non-controlling interests*

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

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



NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2021

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

2.6 Foreign currency

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

(a) Transactions and balances

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

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

(b) Consolidated financial statements

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

2.7 Subsidiaries

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2021

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

2.8 Goodwill (cont'd)

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

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

2.9 Property, plant and equipment

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

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

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

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

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

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

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.



NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2021

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

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

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

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

2.10 *Impairment of non-financial assets*

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

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

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

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2021

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

2.11 *Financial instruments (cont'd)*

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

Subsequent measurement

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

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

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

(ii) *Derivatives*

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

(iii) *Amortised cost*

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

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

Investments in equity instruments

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

Derecognition

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2021

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

2.11 *Financial instruments (cont'd)*

(b) **Financial liabilities**

Initial recognition and measurement

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

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

Subsequent measurement

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

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

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

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

(ii) *Financial liabilities at amortised cost*

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

Derecognition

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

(c) **Offsetting of financial instruments**

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2021

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

2.12 *Derivative financial instruments*

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

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

2.13 *Impairment of financial assets*

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

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

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

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

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

2.14 *Cash and cash equivalents*

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



NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2021

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

2.15 Inventories

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

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

Where necessary, allowance is provided for damaged, obsolete and slow-moving items to adjust the carrying value of inventories to the lower of cost and net realisable value. Where there is an increase in net realisable value in subsequent periods, the amount of reversal of any write-down of inventories is recognised in the profit or loss in the period in which the reversal occurs. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs required to make the sale.

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

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

2.16 Contract balances

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

Contract assets

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

Contract liabilities

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

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

2.17 Borrowing costs

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2021

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

2.18 Provisions

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

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

Liquidated damages

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

Foreseeable losses

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

Onerous contracts

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

Warranty provisions

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

Restoration costs

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2021

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

2.19 *Employee benefits*

(a) *Defined contribution plans*

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

(b) *Defined employee retirement benefits*

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

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

Defined benefit costs comprise the following:

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

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

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

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

(c) *Employee leave entitlement*

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2021

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

2.20 *Leases*

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

As lessee

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

Right-of-use assets

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

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment. The accounting policy for impairment is disclosed in Note 2.9.

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

Lease liabilities

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2021

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

2.20 Leases (cont'd)

Short-term leases and leases of low-value assets

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

2.21 Assets classified as held for sale

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

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

2.22 Revenue

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

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

The Company transfers control over time when:

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

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

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

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

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

- (i) Build-to-order projects typically refer to client-specific orders for customised vessels placed with the Group and formalised by shipbuilding contracts. Revenue from build-to-order projects are typically tied to discrete project milestones and recognised over time.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2021

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

2.22 Revenue (cont'd)

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

- (ii) Build-for-stock projects typically refer to generic vessel types built without orders that target niche markets identified by the Group. Sales of stock vessels are typically formalised by sale and purchase agreements. Revenue is typically recognised at point in time.

(b) **Revenue from chartering**

Revenue from chartering is recognised over time.

(c) **Interest income**

Interest income is recognised using the effective interest method.

2.23 Taxes

(a) **Current income tax**

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

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

(b) **Deferred tax**

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

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

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



NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2021

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

2.23 Taxes (cont'd)

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

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2021

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

2.24 Segment reporting

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

2.25 Contingencies

A contingent liability is:

- (a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or
- (b) a present obligation that arises from past events but is not recognised because:
 - (i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
 - (ii) The amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognised in the financial statements of the period in which the change occurs.

2.26 Share capital and share issuance expenses

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

2.27 Government grants

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

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

3.1 Key sources of estimation uncertainty

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

(a) Impairment of property, plant and equipment

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount which is the higher of its fair value less costs to sell and its value in use. Management determines recoverable amount based on fair value less costs to sell which is estimated by an independent valuer based on cost of construction and replacement of a similar asset.

The carrying amount of the Group's property, plant and equipment at 31 December 2021 was \$108,951,000 (2020: \$100,451,000).

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

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

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

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

For the financial year ended 31 December 2021, the Group recorded revenue from shipbuilding contracts using the POC method amounting to \$25,325,000 (2020: \$32,666,000).

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

3.1 Key sources of estimation uncertainty (cont'd)

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

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

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

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

3.2 Judgements made in applying accounting policies

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

(a) Impairment of financial assets

The Group and Company assess whether there is any objective evidence that a credit loss exists upon initial recognition of the financial asset. Factors such as the financial health and background of the debtor (i.e. country risk and industry trends) are considered during the assessment for impairment of financial assets.

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

(b) Impairment of non-financial assets

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2021

4. REVENUE

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

	Group	
	2021 \$'000	2020 \$'000
Chartering	26,320	21,674
Shipbuilding, ship repairs and maintenance	106,329	97,743
	132,649	119,417

Revenue of \$ 78,091,000 (2020: \$62,738,000) and \$54,558,000 (2020: \$56,679,000) are recognised at a point in time and over time respectively.

Transaction price allocated to the remaining non-cancellable performance obligations

The aggregate amount of the transaction price allocated to the remaining non-cancellable performance obligation is \$42,545,000 (2020: \$44,541,000) and the Group expects to recognise this revenue within the next 8 years.

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

5. OTHER INCOME

	Group	
	2021 \$'000	2020 \$'000
Gain on disposal of property, plant and equipment	3,705	5,328
Scrap sales	293	233
Grant received*	1,522	3,604
Forfeiture of goodwill deposit	-	315
Claim from insurance company	-	80
Reversal of restoration cost on leased land	1,500	-
Others	291	483
	7,311	10,043

*Grant received includes the government grant for Covid-19 business support schemes provided by the Singapore government amounting to \$1,364,000, of which \$903,000 relates to Jobs Support Scheme ("JSS").

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2021

6. ADMINISTRATIVE EXPENSES

	Group	
	2021 \$'000	2020 \$'000
Included in administrative expenses are the following:		
Audit fees:		
- Auditor of the Company	(108)	(114)
- Other auditors	(18)	(22)
Non audit fees:		
- Auditor of the Company	-	(30)
Depreciation of property, plant and equipment (Note 13)	(2,988)	(2,663)
Depreciation of right-of-use assets	(1,207)	(1,050)
Employee benefits expense (Note 9)	(12,573)	(13,099)
Legal fees	(19)	(23)
Professional fees	(1,254)	(1,195)
Property, plant and equipment and inventory written off	(64)	(19)
Operating lease expense (Note 27(c))	(192)	(378)
Water and electricity	(393)	(379)
Transportation	(189)	(215)

7. OTHER OPERATING EXPENSES

	Group	
	2021 \$'000	2020 \$'000
Included in other operating expenses are the following:		
Depreciation of property, plant and equipment (Note 13)	(6,662)	(5,715)
Net foreign exchange gain	345	312
(Impairment loss)/reversal of impairment loss on inventory (Note 17)	(126)	20
Insurance expense	(1,273)	(861)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2021

8. FINANCE COSTS/ FINANCE INCOME

	Group	
	2021 \$'000	2020 \$'000
Bank charges	(71)	(67)
Interest expense on term loans	(251)	(84)
Interest expense on lease liabilities	(179)	(112)
	(501)	(263)
Interest income from short term deposits and bank balances	42	147
Interest income from customers under deferred payment arrangement	434	262
	476	409

9. EMPLOYEE BENEFITS EXPENSE

	Group	
	2021 \$'000	2020 \$'000
Wages, salaries and bonuses	(18,609)	(17,454)
Central Provident Fund contributions	(1,997)	(2,292)
Other short-term benefits	(1,839)	(976)
	(22,445)	(20,722)
Included in profit or loss:		
Administrative expenses (Note 6)	(12,573)	(13,099)
Cost of sales	(8,823)	(5,004)
	(21,396)	(18,103)
Capitalised in balance sheet:		
Inventories	(1,049)	(2,619)
	(22,445)	(20,722)

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2021

10. PROFIT BEFORE TAX

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

	Group	
	2021 \$'000	2020 \$'000
Inventories recognised as an expense in cost of sales (Note 17)	(82,704)	(75,918)
Provision for warranty claims, net (Note 24)	(357)	(333)
	(83,061)	(76,251)

11. INCOME TAX EXPENSE

Major components of income tax expense

The major components of income tax expense for the years ended 31 December 2021 and 2020 are:

	Group	
	2021 \$'000	2020 \$'000
Consolidated income statement:		
Current tax		
- Current year tax expense	(1,466)	(1,830)
- Under provision in respect of previous years	(254)	(184)
Deferred tax		
- Movement in temporary differences	(946)	(150)
- Over provision in respect of previous years	422	7
	(2,244)	(2,157)
Income tax expense recognised in the consolidated income statement	(2,244)	(2,157)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2021

11. INCOME TAX EXPENSE (CONT'D)*Relationship between tax expense and accounting profit*

A reconciliation between the tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 December 2021 and 2020 is as follows:

	Group	
	2021	2020
	\$'000	\$'000
Profit before taxation	14,912	15,364
Tax expense at the domestic rates applicable to profits in the countries where the Group operates	(2,954)	(2,104)
Tax effect of expenses not deductible	(1,017)	(884)
Tax effect of income not subject to tax	521	316
Over/ (under) provision in respect of previous years	168	(177)
Utilisation of deferred tax assets previously not recognised	910	596
Deferred tax assets not recognised	(3)	(1)
Enhanced tax deduction	77	-
Effect of partial tax exemption and tax relief	54	97
Income tax expense recognised in the consolidated income statement	(2,244)	(2,157)

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

12. EARNINGS PER SHARE

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

Diluted earnings per share are calculated by dividing the profit for the year attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

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

	Group	
	2021	2020
	\$'000	\$'000
Profit for the year attributable to owners of the Company used in the computation of basic and diluted earnings per share	12,669	13,208
Weighted average number of ordinary shares used in the computation of basic and diluted earnings per share	220,170	220,170

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2021

13. PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold buildings	Motor launches	Machinery and equipment	Office equipment	Motor vehicles	Construction in progress	Deferred drydocking expenditure	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Cost								
At 1 January 2020	30,616	88,827	14,156	6,142	603	2,775	1,071	144,190
Additions	2,075	10,084	1,387	256	-	21,656	1,218	36,676
Transfer	306	4,051	-	-	-	(4,357)	-	-
Disposals	-	(13,701)	(224)	-	-	-	(220)	(14,145)
Written off	-	-	(78)	-	-	-	-	(78)
Net exchange difference	(447)	(573)	(94)	(14)	(2)	(3)	(9)	(1,142)
At 31 December 2020 and 1 January 2021	32,550	88,688	15,147	6,384	601	20,071	2,060	165,501
Additions	387	24,380	746	181	-	8,555	435	34,684
Transfer	3,474	12,743	5,043	(24)	-	(21,276)	40	-
Transfer to assets held for sale	-	(8,808)	-	-	-	-	-	(8,808)
Disposals	-	(13,897)	(36)	-	-	-	(742)	(14,675)
Written off	(38)	-	(102)	-	-	-	-	(140)
Net exchange difference	152	984	48	5	1	71	(25)	1,236
At 31 December 2021	36,525	104,090	20,846	6,546	602	7,421	1,768	177,798

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2021

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

Group (cont'd)	Leasehold buildings \$'000	Motor launches \$'000	Machinery and equipment \$'000	Office equipment \$'000	Motor vehicles \$'000	Construction in progress \$'000	Deferred drydocking expenditure \$'000	Total \$'000
Accumulated depreciation								
At 1 January 2020	17,586	28,833	9,432	5,536	465	–	164	62,016
Charge for the year	2,286	4,980	735	320	57	–	484	8,862
Disposals	–	(5,257)	(50)	–	–	–	(66)	(5,373)
Written off	–	–	(59)	–	–	–	–	(59)
Net exchange difference	(148)	(188)	(37)	(12)	(2)	–	(9)	(396)
At 31 December 2020 and 1 January 2021	19,724	28,368	10,021	5,844	520	–	573	65,050
Charge for the year	2,643	5,525	1,137	296	49	–	461	10,111
Transfer	–	–	–	(8)	–	–	8	–
Transfer to assets held for sale	–	(1,541)	–	–	–	–	–	(1,541)
Disposals	–	(4,819)	(8)	–	–	–	(213)	(5,040)
Written off	(3)	–	(98)	–	–	–	–	(101)
Net exchange difference	68	275	25	4	1	–	(5)	368
At 31 December 2021	22,432	27,808	11,077	6,136	570	–	824	68,847
Net carrying amount								
At 31 December 2020	12,826	60,320	5,126	540	81	20,071	1,487	100,451
At 31 December 2021	14,093	76,282	9,769	410	32	7,421	944	108,951

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2021

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

Company	Leasehold buildings \$'000	Motor launches \$'000	Machinery and equipment \$'000	Office equipment \$'000	Motor vehicles \$'000	Total \$'000
Cost						
At 1 January 2020	14,893	3,642	132	2,877	165	21,709
Additions	90	–	–	99	–	189
Disposals	–	–	–	(4)	–	(4)
Written off	–	–	–	(17)	–	(17)
At 31 December 2020 and 1 January 2021	14,983	3,642	132	2,955	165	21,877
Additions	387	2,900	–	37	–	3,324
Disposals	–	(5,648)	(15)	(1)	–	(5,664)
Written off	–	–	–	(16)	–	(16)
At 31 December 2021	15,370	894	117	2,975	165	19,521
Accumulated depreciation						
At 1 January 2020	12,283	3,642	84	2,578	95	18,682
Charge for the year	1,398	–	10	168	33	1,609
Disposals	–	–	–	(3)	–	(3)
Written off	–	–	–	(17)	–	(17)
At 31 December 2020 and 1 January 2021	13,681	3,642	94	2,726	128	20,271
Charge for the year	1,302	–	9	152	33	1,496
Disposals	–	(2,748)	(7)	(1)	–	(2,756)
Written off	–	–	–	(15)	–	(15)
At 31 December 2021	14,983	894	96	2,862	161	18,996
Net carrying amount						
At 31 December 2020	1,302	–	38	229	37	1,606
At 31 December 2021	387	–	21	113	4	525

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2021

13. PROPERTY, PLANT AND EQUIPMENT (CONT'D)*Assets pledged as security*

	Group		Company	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
The carrying amount of property, plant and equipment pledged to secure banking facilities	20,904	–	–	–

Impairment assessment of assets

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

No impairment or reversal of impairment was made for the year ended 31 December 2021.

Assets classified as held for sale

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

	Group		Company	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Assets classified as held for sale	7,267	–	–	–

Assets under construction

The Group's construction in progress of \$7,421,000 (2020: \$20,071,000) relates to expenditure for new yard development in Tuas (2020: motor launches, new yard development in Tuas and upgrading of shipbuilding facilities in Batam) in the course of construction.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2021

14. INVESTMENT IN SUBSIDIARIES

	Company	
	2021 \$'000	2020 \$'000
Unquoted equity shares, at cost*	34,403	34,403
Impairment losses	(14,832)	(14,852)
Total investment in subsidiaries	19,571	19,551

*In FY2020, included in unquoted equity shares is investment in Swissco Offshore (Pte.) Ltd. This investment represents an acquisition of the leasehold property located at 21 Tuas Road with 20-years lease. The management is of the view that the acquisition is a suitable replacement waterfront property as the Company's lease of its present premises at 18 Tuas Basin Link will be expiring in second quarter 2022.

	Company	
	2021 \$'000	2020 \$'000
An analysis of movement in impairment loss on investment in subsidiaries is as follows:		
At beginning of year	14,852	14,086
(Reversal)/allowance for impairment loss	(20)	766
At end of year	14,832	14,852

Name	Principal activities	Country of incorporation	Ownership interest held by the Company		Cost of investment	
			2021 %	2020 %	2021 \$'000	2020 \$'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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2021

14. INVESTMENT IN SUBSIDIARIES (CONT'D)

Name	Principal activities	Country of incorporation	Ownership interest held by the Company		Cost of investment	
			2021	2020	2021	2020
			%	%	\$'000	\$'000
Held by the Company (cont'd)						
Pelican Offshore Services Pte Ltd ⁽¹⁾	Management and operation of Flex crewboats and fast supply intervention vessels	Singapore	100	100	18,435	18,435
POS Gallant Pte Ltd ⁽⁴⁾	Dormant	Singapore	100	100	100	100
Pelican Offshore Worldwide Pte Ltd ⁽¹⁾	Investment holding	Singapore	100	100	100	100
Penguin Marine Services Pte Ltd ⁽¹⁾	Provision of project management services	Singapore	100	100	500	500
Pelican Ship Management Services Pte Ltd ⁽¹⁾	Provision of ship management and maintenance services	Singapore	100	100	1,107	1,107
Soon Tian Oon Pte Ltd ⁽⁴⁾	Dormant	Singapore	100	100	231	231
Penguin Marine Offshore Services Pte Ltd ⁽¹⁾	Management and operation of motor launches	Singapore	100	100	5,003	5,003
Swissco Offshore (Pte.) Ltd ⁽¹⁾	Provision of shipyard space	Singapore	100	100	1,927	1,927
					34,403	34,403

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2021

14. INVESTMENT IN SUBSIDIARIES (CONT'D)

Name	Principal activities	Country of incorporation	Ownership interest held by subsidiaries	
			2021	2020
			%	%
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
Flex Fleet Sdn Bhd ⁽²⁾	Management and operation of Flex crewboats	Malaysia	100	100
POS Victory Pte Ltd ⁽¹⁾	Management and operation of fast supply intervention	Singapore	100	100
POS Glow Pte Ltd ⁽⁴⁾	Management and operation of Flex crewboats	Singapore	100	100
Penguin Transporter Pte Ltd ⁽¹⁾	Management and operation of Landing Craft	Singapore	100	100
Victory Marine Services Sdn Bhd ⁽²⁾	Dormant	Malaysia	70	70

⁽¹⁾ Audited by PKF-CAP LLP, Singapore.⁽²⁾ Audited by member firms of PKF International.⁽³⁾ The Group consolidates 100% of the results of Pelican Offshore Malaysia Corp ("POMC") as it controls and has beneficial interest in all of POMC's results and operations.⁽⁴⁾ Not required to be audited under the law of country of incorporation.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2021

15. OTHER INVESTMENTS

	Group		Company	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Unquoted equity shares	287	287	287	287
Impairment losses	(287)	(287)	(287)	(287)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Quoted equity shares	8,000	8,000	8,000	8,000
Changes in fair value of equity investment at FVOCI	(500)	(3,900)	(500)	(3,900)
Issue of Management Award Shares as per the investment agreement with respect to Marco Polo Marine Limited	(943)	(943)	(943)	(943)
	<u>6,557</u>	<u>3,157</u>	<u>6,557</u>	<u>3,157</u>
Total other investments	<u>6,557</u>	<u>3,157</u>	<u>6,557</u>	<u>3,157</u>

	Group		Company	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Movements in quoted equity shares:				
As at 1 January	3,157	5,157	3,157	5,157
Changes in fair value of equity investment at FVOCI	3,400	(1,457)	3,400	(1,457)
Issue of Management Award Shares as per the investment agreement with respect to Marco Polo Marine Limited	-	(543)	-	(543)
As at 31 December	<u>6,557</u>	<u>3,157</u>	<u>6,557</u>	<u>3,157</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2021

16. INTANGIBLE ASSET

	Goodwill \$'000
Group	
Cost	
At 1 January 2020, 31 December 2020, 1 January 2021 and 31 December 2021	<u>291</u>
Accumulated impairment loss	
At 1 January 2020, 31 December 2020, 1 January 2021 and 31 December 2021	<u>(213)</u>
Net carrying amount	
At 31 December 2020 and 31 December 2021	<u>78</u>

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

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

17. INVENTORIES

	Group	
	2021 \$'000	2020 \$'000
Balance sheet:		
Parts and spares (at lower of cost or net realisable value)	2,153	870
Work-in-progress (at lower of cost or net realisable value)	44,102	56,474
	<u>46,255</u>	<u>57,344</u>
Income statement:		
Inventories recognised as an expense in cost of sales (Note 10)	(82,704)	(75,918)
(Impairment loss)/ reversal of impairment loss on inventory recognised in other operating expenses (Note 7)	(126)	20

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2021

18. TRADE RECEIVABLES

	Group		Company	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Current:				
Trade receivables	22,379	11,621	2,204	1,798
Allowance for impairment loss	(1,758)	(1,501)	-	-
	<u>20,621</u>	<u>10,120</u>	<u>2,204</u>	<u>1,798</u>
Non-current:				
Trade receivables	18,096	-	-	-
Total trade receivables	<u>38,717</u>	<u>10,120</u>	<u>2,204</u>	<u>1,798</u>

Trade receivables are generally on 30 days' term and are non-interest bearing, except for an amount of \$4,633,000 (2020: NIL) which pertains to sale of stock vessels under deferred payment arrangement. They are recognised at original invoice amounts which represent their fair values on initial recognition.

Non-current trade receivables pertains to sale of stock vessels under deferred payment arrangement. The amounts are unsecured, bears interest at 5% to 6% and is repayable through monthly instalments.

Receivables that are past due but not impaired

The Group and Company have trade receivables amounting to \$7,809,000 (2020: \$7,485,000) and \$335,000 (2020: \$250,000) respectively that are past due at the end of the reporting period but not impaired. These receivables are unsecured and the analysis of their ageing at the end of the reporting period is as follows:

	Group		Company	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Less than 30 days	2,668	4,042	-	235
30 to 60 days	4,493	1,493	335	13
61 to 90 days	169	1,507	-	2
91 to 365 days	479	443	-	-
	<u>7,809</u>	<u>7,485</u>	<u>335</u>	<u>250</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2021

18. TRADE RECEIVABLES (CONT'D)

Receivables that are impaired

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

	Group Individually impaired	
	2021 \$'000	2020 \$'000
Trade receivables	1,758	1,501
Less: Allowance for impairment loss	<u>(1,758)</u>	<u>(1,501)</u>
	<u>-</u>	<u>-</u>
Movement in allowance account:		
At 1 January	1,501	1,191
Charge to the profit or loss account	240	321
Exchange difference	17	(11)
At 31 December	<u>1,758</u>	<u>1,501</u>

Trade receivables that are individually determined to be impaired at the end of the reporting period relate to debtors that are in significant financial difficulties and have defaulted on payments. During the year, the additional charge to the profit or loss account of \$240,000 (2020: \$321,000) is provided as an allowance by management for a debtor that have defaulted on payments.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2021

19. OTHER RECEIVABLES AND DEPOSITS

	Group		Company	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Current:				
<i>Financial assets</i>				
Other receivables	4,715	4,456	5	96
Deposits	535	507	164	267
Insurance claims	967	906	-	-
	<u>6,217</u>	<u>5,869</u>	<u>169</u>	<u>363</u>
<i>Non-financial assets</i>				
Advance payment to suppliers	4,363	6,232	-	-
Deposits	4	17	-	-
Other receivables	649	574	-	-
	<u>5,016</u>	<u>6,823</u>	<u>-</u>	<u>-</u>
Total current other receivables and deposits	<u>11,233</u>	<u>12,692</u>	<u>169</u>	<u>363</u>
Non-current:				
<i>Financial assets</i>				
Other receivables	1,507	2,345	-	-
Total other receivables and deposits	<u>12,740</u>	<u>15,037</u>	<u>169</u>	<u>363</u>

Included in the Group's current other receivables and non-current other receivables is an amount of \$3,568,000 (2020: \$3,600,000) and \$1,507,000 (2020: \$2,345,000) respectively which pertains to sale of vessels (property, plant and equipment) under deferred payment arrangement which will end between 2022 and 2023.

Of the entire deferred payment arrangement, \$2,344,000 (2020: \$3,130,000) is secured against fleet vessel sold. The deferred payment arrangement bears interests ranging from 4.35% to 6.30% (2020: 4.35% to 6.30%) and are repayable through monthly instalments.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2021

20. LOANS TO SUBSIDIARIES/ DEPOSITS FROM SUBSIDIARIES

	Company	
	2021 \$'000	2020 \$'000
Loan to a subsidiary (non-current)	70,837	70,837
Loans to subsidiaries (current)	53,507	34,886
Deposits from subsidiaries (current)	<u>(10,547)</u>	<u>(8,896)</u>

The loan to a subsidiary (non-current) has been designated by the Company as part of the net investment in the subsidiary. The amount is unsecured and bearing interest of 3.00% to 3.05% (2020: 2.25% to 3.68%) per annum, has no repayment terms and is repayable only when the cash flows of the subsidiary permit. The loan is denominated in Singapore Dollar.

Loans to subsidiaries (current) are unsecured, bear interest of 3.00% to 3.05% (2020: 2.25% to 3.68%) per annum and are repayable on demand. Included in loan to subsidiaries (current) of the Company is \$5,409,000 (2020: \$546,000) denominated in United States Dollar.

Loans to subsidiaries (current) are stated after deducting an allowance for impairment loss of \$ 31,290,000 (2020: \$33,009,000).

	Company	
	2021 \$'000	2020 \$'000
Movement in allowance account:		
At 1 January	33,009	33,572
Reversal of over provision in prior years	<u>(1,719)</u>	<u>(563)</u>
At 31 December	<u>31,290</u>	<u>33,009</u>

Deposits from subsidiaries are unsecured, bear interest of 0.20% to 0.25% (2020: 0.20% to 1.59%) per annum and are repayable on demand. Included in deposits from subsidiaries of the Company is \$199,000 (2020: \$NIL) denominated in United States Dollar.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2021

21. CASH AND BANK BALANCES AND FIXED DEPOSITS

	Group		Company	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Cash and bank balances	18,777	35,775	4,674	7,175
Fixed deposits	2,264	4,201	–	–
	<u>21,041</u>	<u>39,976</u>	<u>4,674</u>	<u>7,175</u>

Cash at banks earns interest at floating rates based on daily bank deposit rates. Fixed deposits are made for varying periods of between 1 week and 12 months (2020: 1 week and 12 months), mostly less than 3 months depending on the immediate cash requirements of the Group and the Company, and earn interest ranging from 0.10% to 1.85% (2020: 0.01% to 1.70%) per annum.

Bank balances and fixed deposits of \$2,069,000 (2020: \$4,636,000) 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	
	2021 \$'000	2020 \$'000
Cash and bank balances (excluding pledged bank balances)	18,270	35,302
Fixed deposits (excluding pledged fixed deposits)	702	38
Cash and cash equivalents	<u>18,972</u>	<u>35,340</u>

22. TRADE PAYABLES

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2021

23. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
<i>Financial liabilities</i>				
Accrued operating expenses	13,663	13,855	1,781	2,157
Other payables	726	1,211	184	134
	<u>14,389</u>	<u>15,066</u>	<u>1,965</u>	<u>2,291</u>
<i>Non-financial liabilities</i>				
Other payables	–	–	53	37
Advance payments and deposits received (non-refundable)	6,818	7,243	–	–
Total other payables and accruals	<u>21,207</u>	<u>22,309</u>	<u>2,018</u>	<u>2,328</u>

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

24. PROVISIONS

	Group		Company	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
<i>Current:</i>				
Provision for warranty claims	540	483	–	–
Provision for restoration cost	491	–	491	–
	<u>1,031</u>	<u>483</u>	<u>491</u>	<u>–</u>
<i>Non-current:</i>				
Provision for restoration cost	–	1,604	–	1,604
Provision for employee retirement benefits	154	161	–	–
	<u>154</u>	<u>1,765</u>	<u>–</u>	<u>1,604</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2021

24. PROVISIONS (CONT'D)*Provision for warranty claims*

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

	Group	
	2021 \$'000	2020 \$'000
At 1 January	483	522
Additions during the year	533	616
Reversals during the year	(176)	(284)
Utilisation during the year	(300)	(371)
At 31 December	540	483

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

Provision for restoration cost

The provision for restoration cost is recognised for expected cost required to be incurred to reinstate the leased land to their original condition. The provision amount was determined by management based on recent quotation from contractors. Management is of the view that the provision recorded is adequate to cover the costs of restoration.

In 2Q2022, the Group will relocate to its new Singapore headquarters and shipyard on 21 Tuas Road, from its current premises on 18 Tuas Basin Link, ahead of the latter property's lease expiry in 2025. Pursuant to this early move-out and relocation, the Group has assessed that it is no longer probable that an outflow of resources will be required to settle its restoration obligation. Hence, there was a reversal of restoration cost on leasehold land amounting to \$1,500,000 in FY2021.

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 2021, as determined by an independent actuary.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2021

24. PROVISIONS (CONT'D)*Provision for employee retirement benefits (cont'd):*

(a) Provision for employee retirement benefits:

	Group	
	2021 \$'000	2020 \$'000
Current service cost	(9)	42
Interest cost	–	3
Total defined retirement benefits expense	(9)	45
Presented in profit or loss as:		
Administrative expenses	(9)	45

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

	Group	
	2021 \$'000	2020 \$'000
Present value of employee benefits obligation	154	161

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

	Group	
	2021	2020
Retirement age	55	55
Discount rate	3.40%-7.58%	3.64%-7.41%
Mortality rate	TMI 2019	TMI 2019
Method	Projected unit credit	Projected unit credit

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2021

24. PROVISIONS (CONT'D)

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

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

	Group	
	2021 \$'000	2020 \$'000
At 1 January	161	122
Provision made during the year	(9)	45
Translation	2	(6)
At 31 December	154	161

25. CONTRACT BALANCES

	Group		Company	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Contract assets	6,325	1,695	5,398	-
Contract liabilities	(2,717)	(776)	(442)	(428)

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

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

	Group		Company	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Revenue recognised that was included in the contract liability balance at the beginning of the year	776	1,042	428	93

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2021

25. CONTRACT BALANCES (CONT'D)

	Group		Company	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Contract asset reclassified to trade receivables	1,695	3,268	-	156

26. TERM LOANS

	Group	
	2021 \$'000	2020 \$'000
Current:		
Term loan I (unsecured)	987	958
Term loan II	1,000	-
Term loan III	4,242	-
Term loan IV	374	-
	6,603	958
Non-current:		
Term loan I (unsecured)	2,510	3,497
Term loan II	3,500	-
Term loan III	-	-
Term loan IV	2,621	-
	8,631	3,497
Total term loans	15,234	4,455

Term loan I

This loan bears interest of 2%-3% (2020: 3%) and is repayable through monthly instalments.

Term loan II

This loan bears interest of 2.48% (2020: NIL) and is repayable through monthly instalments.

Term loan III

This loan bears interest of 2.43% (2020: NIL) and is repayable on demand.

Term loan IV

This loan bears interest of 2.73% (2020: NIL) and is repayable through monthly instalments.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2021

26. TERM LOANS (CONT'D)Reconciliation of liabilities arising from financing activities

	1 January 2021 \$'000	Financing cash flows \$'000	31 December 2021 \$'000
Term loans	4,455	10,779	15,234

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

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

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

27. LEASESGroup as a lessee

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

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

	Group		Company	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
At 1 January	8,984	2,253	727	1,653
Additions	879	8,446	173	-
Lease modification	17	4	17	(42)
Depreciation	(1,824)	(1,719)	(767)	(884)
Written off	(27)	-	-	-
Net exchange difference	(1)	-	-	-
At 31 December	8,028	8,984	150	727

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2021

27. LEASES (CONT'D)(b) **Lease liabilities**Reconciliation of liabilities arising from financing activities

	1 January 2021 \$'000	Financing Cash flows \$'000	Written off \$'000	Group Non-cash changes Modification \$'000	Additions/ transfers \$'000	31 December 2021 \$'000
Lease liabilities						
- current	1,350	(1,808)	(28)	17	1,296	827
- non-current	7,783	-	-	-	(417)	7,366
	9,133	(1,808)	(28)	17	879	8,193

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

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



NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2021

27. LEASES (CONT'D)(c) **Amounts recognised in profit or loss**

	Group		Company	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Depreciation of right-of-use assets	1,824	1,547	767	884
Interest expense on lease liabilities	188	134	7	52
Lease expense not capitalised in lease liabilities:				
Expense relating to low-value and short-term leases				
- included in cost of sales	140	72	-	-
- included in administrative expenses	192	378	15	-
Total amount recognised in profit or loss	2,344	2,131	789	936

(d) **Total cash outflow**

The Group had total cash outflows for leases of \$ 2,328,000 in 2021 (2020: \$2,051,000).

28. COMMITMENTS(a) **Capital commitments**

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

	Group		Company	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Capital commitments in respect of property, plant and equipment	3,991	14,116	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2021

28. COMMITMENTS (CONT'D)(b) **Other commitments**

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

	Group		Company	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Commitments in respect of shipbuilding costs	37,752	29,285	-	-

(c) **Continuing financial support**

The Company has undertaken to provide continuing financial support to twelve (2020: thirteen) of its subsidiaries to enable them to operate as going concerns and to meet their obligations for at least 12 months from the date of their respective directors' report relating to the 31 December 2021 financial statements. The subsidiaries are Penguin Marine Offshore Services Pte Ltd, Penguin Marine Services Pte Ltd, PKS Shipyard Pte Ltd, POS Gallant Pte Ltd, Pelican Offshore Worldwide Pte Ltd, Flex Fleet Sdn Bhd, POS Glow Pte Ltd, POS Victory Pte Ltd, Penguin Transporter Pte Ltd, PT Kim Seah Shipyard Indonesia, Victory Marine Services Sdn Bhd and Swissco Offshore (Pte.) Ltd.

29. Deferred tax liabilities

	Group				Company	
	Consolidated balance sheet		Consolidated income statement		Balance sheet	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Deferred tax liabilities						
Differences in depreciation	(2,743)	(2,219)	(524)	(143)	(15)	(132)

During the year, three subsidiaries (2020: four subsidiaries) transferred \$8,408,000 (2020: \$5,214,000) of its current year tax losses and capital allowances to be deducted against the assessable income of the company and two subsidiaries (2020: one subsidiary) pursuant to the Group Relief Scheme, subject to compliance with the relevant rules and procedures and agreement of the Inland Revenue Authority of Singapore. The tax savings arising from the application of Group Relief amounted to approximately \$1,429,000 (2020: \$886,000).

At the balance sheet date, the Group has unutilised tax losses and capital allowances of approximately \$4,908,000 (2020: \$6,798,000) that are available for offset against future taxable profits of the companies in which the losses arose, for which no deferred tax asset is recognised due to uncertainty of its recoverability. The use of these tax losses and capital allowances is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate. The tax losses and capital allowances have no expiry date except for amount of \$1,247,000 (2020: \$6,450,000) which will expire in 2025 (2020: 2025).



NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2021

29. Deferred tax liabilities (cont'd)*Tax consequences of proposed dividends*

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

Unrecognised temporary differences relating to investments in subsidiaries

There is no deferred tax liability (2020: \$NIL) recognised for taxes that would be payable on the undistributed earnings of certain of the Group's subsidiaries as the Group has determined that undistributed earnings of its subsidiaries will not be distributed in the foreseeable future.

Such temporary differences for which no deferred tax liability has been recognised aggregated to \$15,738,000 (2020: \$11,353,000).

30. Share capital

	Group and Company			
	2021		2020	
	No. of shares '000	\$'000	No. of shares '000	\$'000
Ordinary shares				
Issued and fully paid				
Balance at 1 January & 31 December	220,170	94,943	220,170	94,943

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

31. OTHER RESERVES

	Group		Company	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Foreign currency translation reserve	(6,468)	(7,649)	-	-
Fair value reserve	(1,443)	(4,843)	(1,443)	(4,843)
	(7,911)	(12,492)	(1,443)	(4,843)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2021

31. OTHER RESERVES (CONT'D)(a) **Foreign currency translation reserve**

The foreign currency translation reserve records exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency. It also includes the effect of exchange differences arising on monetary items that form part of the Group's net investment in foreign operations.

	Group	
	2021 \$'000	2020 \$'000
At 1 January	(7,649)	(6,693)
Net effect of exchange differences arising from quasi capital loan to subsidiaries ⁽¹⁾	1,226	(921)
Net effect of exchange differences arising from translation of financial statements of foreign operations	(45)	(35)
At 31 December	(6,468)	(7,649)

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

(b) **Fair value reserve**

	Group and Company	
	2021 \$'000	2020 \$'000
At 1 January	(4,843)	(3,386)
Change in fair value of equity investment at FVOCI	3,400	(1,457)
At 31 December	(1,443)	(4,843)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2021

32. RELATED PARTY TRANSACTIONS**(a) Sale and purchase of goods and services**

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

	Group		Company	
	Related parties		Subsidiaries	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
Income				
Charter hire fee income	–	53	28	40
Commission income	–	–	360	285
Management fee income	–	–	2,470	2,470
Interest income	–	–	3,367	2,603
Rental income	1	1	1,884	2,065
Dividend income	–	–	6,000	6,000
Wharfage charges	38	37	–	–
Fabrication of gangway	–	3	–	–
Sale of inventory	–	–	5	–
Expense				
Ship building costs	–	–	(9,674)	–
Project management cost	–	–	(3,674)	(3,178)
Interest expense	–	–	(22)	(180)
Ship management expense	–	–	(226)	(245)
Ship repair cost	–	–	(271)	(287)
Charter hire expense	–	–	(420)	(10)
Vessel maintenance cost	(53)	–	(2,774)	(2,195)
Rental expenses	–	–	(508)	–
Others				
Disposal of property, plant and equipment	–	–	–	1
Purchase of property, plant and equipment	(414)	(18)	–	–

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2021

32. RELATED PARTY TRANSACTIONS (CONT'D)**(b) Compensation of key management personnel**

	Company	
	2021	2020
	\$'000	\$'000
Short-term employee benefits expense	2,499	2,630
Central Provident Fund contributions	95	128
	<u>2,594</u>	<u>2,758</u>
Comprise amounts paid to:		
Directors of the Company	1,812	1,823
Other key management personnel	782	935
	<u>2,594</u>	<u>2,758</u>

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

33. GUARANTEES

The Group and Company had outstanding bank guarantees amounting to approximately \$14,956,000 (2020: \$16,790,000) and \$13,231,000 (2020: \$13,742,000) respectively, in respect of the performance of charter-hire and shipbuilding contracts (2020: charter-hire and shipbuilding contracts).

34. SEGMENT INFORMATION

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2021

34. SEGMENT INFORMATION (CONT'D)

	Chartering		Shipbuilding, ship repairs and maintenance		Adjustments and eliminations		Notes	Total	
	2021	2020	2021	2020	2021	2020		2021	2020
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000		\$'000	\$'000
Revenue:									
Sales to external customers	26,320	21,674	106,329	97,743	-	-		132,649	119,417
Inter-segment sales	445	226	40,255	13,342	(40,700)	(13,568)	A	-	-
Total revenue	26,765	21,900	146,584	111,085	(40,700)	(13,568)		132,649	119,417
Results:									
Finance income	486	366	277	302	(287)	(259)	B	476	409
Dividend income	6,000	6,000	-	-	(6,000)	(6,000)		-	-
Depreciation	(8,376)	(7,580)	(3,572)	(2,348)	13	(481)	B	(11,935)	(10,409)
Financial costs	(293)	(224)	(495)	(298)	287	259	B	(501)	(263)
(Impairment)/ reversal of impairment on inventories	(126)	-	-	20	-	-		(126)	20
Other non-cash expenses	(3)	-	(301)	1,061	-	(1,400)		(304)	(339)
Segment profit before tax	10,090	9,296	11,195	11,846	(6,373)	(5,778)	C	14,912	15,364
Taxation								(2,244)	(2,157)
Profit for the year								12,668	13,207

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2021

34. SEGMENT INFORMATION (CONT'D)

The following table presents assets, liabilities and other segment information regarding the Group's business segments for the years ended 31 December 2021 and 2020:

	Chartering		Shipbuilding, ship repairs and maintenance		Discontinued operation		Adjustments and eliminations		Notes	Total	
	2021	2020	2021	2020	2021	2020	2021	2020		2021	2020
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000		\$'000	\$'000
Assets and liabilities:											
Additions to non- current assets	35,571	30,975	27,965	8,771	-	-	(6,188)	(230)	D	57,348	39,516
Goodwill	-	-	78	78	-	-	-	-		78	78
Segment assets	130,111	112,690	141,884	145,892	367	367	(15,544)	(21,698)	E	256,818	237,251
Segment liabilities	19,282	10,900	40,710	56,899	-	-	4,942	(5,183)	F	64,934	62,616

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

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

	2021 \$'000	2020 \$'000
From inter-segment transactions	(6,570)	(4,380)
Unallocated expenses	197	(1,398)
	(6,373)	(5,778)

The unallocated expenses pertain mainly to depreciation of leasehold building and reversal of leased land.

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



NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2021

34. SEGMENT INFORMATION (CONT'D)

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

	2021	2020
	\$'000	\$'000
Inter-segment assets	(15,931)	(23,000)
Unallocated assets	387	1,302
	<u>(15,544)</u>	<u>(21,698)</u>

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:

	2021	2020
	\$'000	\$'000
Inter-segment liabilities	(93)	(11,215)
Deferred tax liabilities	2,743	2,219
Current tax liabilities	1,801	2,209
Provision for restoration cost	491	1,604
	<u>4,942</u>	<u>(5,183)</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2021

34. SEGMENT INFORMATION (CONT'D)*Geographical information*

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

	Chartering		Shipbuilding, ship repairs and maintenance		Total	
	2021	2020	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Singapore	4,809	3,723	13,416	2,502	18,225	6,225
Rest of Southeast Asia	20,026	17,855	432	42	20,458	17,897
Africa	1,079	96	51,885	62,142	52,964	62,238
Taiwan	–	–	5,552	15,543	5,552	15,543
Europe	406	–	28,235	5,805	28,641	5,805
India	–	–	5,881	–	5,881	–
Others	–	–	928	11,709	928	11,709
	<u>26,320</u>	<u>21,674</u>	<u>106,329</u>	<u>97,743</u>	<u>132,649</u>	<u>119,417</u>

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

Information about major customers

Revenue from three (2020: four) major customers amounted to \$55,017,000 (2020: \$47,700,000), arising from chartering and shipbuilding, ship repairs and maintenance (2020: chartering and shipbuilding, ship repairs and maintenance) segments.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2021

35. DIVIDENDS

Paid during the financial year

Dividends on ordinary shares:

	Group and Company	
	2021	2020
	\$'000	\$'000
- Final exempt (one-tier) dividend for 2020: NIL cents per share (2019: 1.75 cents) per share	-	3,853

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

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

	Group and Company	
	2021	2020
	\$'000	\$'000
- Final exempt (one-tier) dividend for 2021: 2.25 cents (2020: NIL cents) per share	4,954	-

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2021

36. FAIR VALUE OF FINANCIAL INSTRUMENTS(a) *Classification of financial instruments*

	Financial assets at amortised cost	Financial assets/liabilities at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial liabilities at amortised cost	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Group					
2021					
Assets					
Other investments	-	-	6,557	-	6,557
Trade receivables	38,717	-	-	-	38,717
Other receivables and deposits	7,724	-	-	-	7,724
Contract assets	6,325	-	-	-	6,325
Derivatives	-	35	-	-	35
Fixed deposits	2,264	-	-	-	2,264
Cash and bank balances	18,777	-	-	-	18,777
	73,807	35	6,557	-	80,399
Liabilities					
Trade payables	-	-	-	11,854	11,854
Other payables and accruals	-	-	-	14,389	14,389
Term loans	-	-	-	15,234	15,234
Lease liabilities	-	-	-	8,193	8,193
	-	-	-	49,670	49,670
2020					
Assets					
Other investments	-	-	3,157	-	3,157
Trade receivables	10,120	-	-	-	10,120
Other receivables and deposits	8,214	-	-	-	8,214
Contract assets	1,695	-	-	-	1,695
Fixed deposits	4,201	-	-	-	4,201
Cash and bank balances	35,775	-	-	-	35,775
	60,005	-	3,157	-	63,162
Liabilities					
Trade payables	-	-	-	18,767	18,767
Other payables and accruals	-	-	-	15,066	15,066
Term loan	-	-	-	4,455	4,455
Lease liabilities	-	-	-	9,133	9,133
	-	-	-	47,421	47,421

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2021

36. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D)**(a) Classification of financial instruments (cont'd)**

Company	Financial assets at amortised cost \$'000	Financial assets/liabilities at fair value through profit or loss \$'000	Financial assets at fair value through other comprehensive income \$'000	Financial liabilities at amortised cost \$'000	Total \$'000
2021					
Assets					
Other investments	-	-	6,557	-	6,557
Trade receivables	2,204	-	-	-	2,204
Other receivables and deposits	169	-	-	-	169
Contract assets	5,398	-	-	-	5,398
Derivatives	-	35	-	-	35
Loans to subsidiaries	124,344	-	-	-	124,344
Cash and bank balances	4,674	-	-	-	4,674
	136,789	35	6,557	-	143,381
Liabilities					
Trade payables	-	-	-	82	82
Other payables and accruals	-	-	-	1,965	1,965
Deposits from subsidiaries	-	-	-	10,547	10,547
Lease liabilities	-	-	-	150	150
Term loans	-	-	-	15,234	15,234
	-	-	-	27,978	27,978
2020					
Assets					
Other investments	-	-	3,157	-	3,157
Trade receivables	1,798	-	-	-	1,798
Other receivables and deposits	363	-	-	-	363
Loans to subsidiaries	105,723	-	-	-	105,723
Cash and bank balances	7,175	-	-	-	7,175
	115,059	-	3,157	-	118,216
Liabilities					
Other payables and accruals	-	-	-	2,291	2,291
Deposits from subsidiaries	-	-	-	8,896	8,896
Lease liabilities	-	-	-	765	765
Term loan	-	-	-	4,455	4,455
	-	-	-	16,407	16,407

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2021

36. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D)**(b) Fair value of financial instruments that are carried at fair value**

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

Fair value hierarchy

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

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

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

As at 31 December 2021, the Group has investment in quoted equity security representing Level 1 financial asset which is carried at fair value amount of \$6,557,000 (2020: \$3,157,000). The quoted equity security is listed on the SGX-ST in Singapore.

(c) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

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

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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



NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2021

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)**(a) Credit risk**

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

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

Credit risk concentration profile

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

	Group			
	2021		2020	
	\$'000	%	\$'000	%
By country:				
Singapore	2,762	6	2,365	14
Malaysia	6,131	14	5,629	33
Rest of Southeast Asia	3,408	7	3,080	18
Africa	8,195	18	1,258	8
Australia	–	–	1,585	10
Taiwan	2,587	6	2,588	15
India	4,532	10	–	–
Europe	17,306	39	–	–
Others	18	–	416	2
	44,939	100	16,921	100
By industry sectors:				
Chartering	13,199	29	10,821	64
Shipbuilding, repairs and maintenance	31,740	71	6,100	36
	44,939	100	16,921	100

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2021

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)**(a) Credit risk (cont'd)**

At the end of the reporting period:

- Approximately 46% (2020: 63%) of the Group's trade receivables were due from three (2020: three) major customers consisting of multi-industry conglomerates located in various countries.
- Approximately 99% (2020: 95%) of the Company's trade receivables were due from two (2020: two) major customers consisting of government ministries and a multinational corporation.

Financial assets that are neither past due nor impaired

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

Financial assets that are either past due or impaired

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

(b) Liquidity risk

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

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

	Within 1 year	1 to	Over	Total
	\$'000	5 years	5 years	
	\$'000	\$'000	\$'000	\$'000
Group				
2021				
Financial liabilities				
Trade payables	11,854	–	–	11,854
Other payables and accruals	14,389	–	–	14,389
Term loans	7,024	9,620	–	16,644
Lease liabilities	1,103	2,594	6,249	9,946
	34,370	12,214	6,249	52,833
Total undiscounted financial liabilities	34,370	12,214	6,249	52,833

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2021

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)(b) **Liquidity risk (cont'd)**

	Within 1 year \$'000	1 to 5 years \$'000	Over 5 years \$'000	Total \$'000
Group				
2020				
Financial liabilities				
Trade payables	18,767	–	–	18,767
Other payables and accruals	15,066	–	–	15,066
Term loan	1,078	3,684	–	4,762
Lease liabilities	1,638	2,575	6,757	10,970
Total undiscounted financial liabilities	36,549	6,259	6,757	49,565
Company				
2021				
Financial liabilities				
Trade payables	82	–	–	82
Other payables and accruals	1,965	–	–	1,965
Deposits from subsidiaries	10,572	–	–	10,572
Term loans	7,024	9,620	–	16,644
Lease liabilities	151	–	–	151
Total undiscounted financial liabilities	19,794	9,620	–	29,414
2020				
Financial liabilities				
Other payables and accruals	2,291	–	–	2,291
Deposits from subsidiaries	8,976	–	–	8,976
Term loan	1,078	3,684	–	4,762
Lease liabilities	777	–	–	777
Total undiscounted financial liabilities	13,122	3,684	–	16,806

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2021

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)(c) **Foreign currency risk**

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

The Group and the Company also hold cash and cash equivalents denominated in foreign currencies for working capital purposes. At the end of the reporting period, such foreign currency balances amounted to \$7,356,000 (2020: \$29,111,000) and \$ 276,000 (2020: \$3,585,000) for the Group and the Company respectively.

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

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

Sensitivity analysis for foreign currency risk

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

	Increase/ (decrease) in profit before tax 2021 \$'000	Increase/ (decrease) in profit before tax 2020 \$'000
USD/SGD – strengthened 3% (2020: 3%)	283	423
USD/SGD – weakened 3% (2020: 3%)	(283)	(423)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2021

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)(d) **Market price risk**

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

Sensitivity analysis for equity price risk

At the end of the reporting period, if the price of the shares held had been 5% higher/ lower with all other variables held constant, the Group's other comprehensive income would have been \$328,000 (2020: \$158,000) higher/lower, arising as a result of an increase/ decrease in the fair value of equity securities classified as other investments.

(e) **Interest rate risk**

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

Sensitivity analysis for interest rate risk

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

	Increase/ (decrease) in profit before tax 2021 \$'000	Increase/ (decrease) in profit before tax 2020 \$'000
Increase in 100 basis points	98	23
Decrease in 100 basis points	(98)	(23)

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2021

38. CAPITAL MANAGEMENT

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2021 and 31 December 2020.

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

39. CONTINGENT LIABILITIES

An overseas subsidiary of the Group has received notices of tax assessments following tax audits carried out on this subsidiary for the years 2018 and 2019. An additional tax payable of S\$2.5 million was required based on the tax assessments received. The subsidiary's tax firm has advised that it does not see any merit to the tax assessments. Based on management's assessment and the tax firm's advice, management believes that its position will be upheld in the appellate process. No provision has been made in our FY2021 financial statements in relation to this matter.

40. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the year ended 31 December 2021 were authorised for issue in accordance with a resolution of the Directors on 29 March 2022.

STATISTICS OF SHAREHOLDINGS

As at 18 March 2022

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	164	6.94	8,031	0.00
100 - 1,000	1,140	48.26	531,753	0.24
1,001 - 10,000	696	29.47	3,371,256	1.53
10,001 - 1,000,000	353	14.95	18,332,856	8.33
1,000,001 AND ABOVE	9	0.38	197,925,878	89.90
TOTAL	2,362	100.00	220,169,774	100.00

TWENTY LARGEST SHAREHOLDERS

No.	Name	No. of Shares	%
1	DBS NOMINEES (PRIVATE) LIMITED	183,314,145	83.26
2	PHILLIP SECURITIES PTE LTD	4,618,018	2.10
3	CITIBANK NOMINEES SINGAPORE PTE LTD	1,900,869	0.86
4	UOB KAY HIAN PRIVATE LIMITED	1,627,833	0.74
5	OCBC SECURITIES PRIVATE LIMITED	1,467,465	0.67
6	NG KWONG CHONG OR LIU OI FUI IVY	1,336,666	0.61
7	ONG SHYH CHANG	1,333,333	0.61
8	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	1,226,149	0.56
9	TEO JIA HAO	1,101,400	0.50
10	CHEE SEE GIAP @ SIN CHIEN	910,599	0.41
11	NG KIM GUAT	706,766	0.32
12	IFAST FINANCIAL PTE. LTD.	635,799	0.29
13	LIM SOON TECK	550,000	0.25
14	TAN KOK CHING	500,000	0.23
15	CHEONG KIT CHONG	400,000	0.18
16	GUAN GUAN INVESTMENTS PTE LTD	320,000	0.15
17	THIO MA LANG	306,000	0.14
18	TANG SEE CHANG @ TAN SAY CHAN	300,833	0.14
19	WONG CHEUNG CHAI	293,333	0.13
20	WONG TONG LIEW	261,600	0.12
TOTAL		203,110,808	92.27

PERCENTAGE OF SHAREHOLDINGS HELD BY THE PUBLIC AS AT 18 MARCH 2022

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

STATISTICS OF SUBSTANTIAL SHAREHOLDERS

As at 18 March 2022

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

Notes:

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

Total number of issued shares as at 18 March 2022: 220,169,774 ordinary shares.





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

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 2022 Annual General Meeting of Penguin International Limited (the “**Company**”) will be held by way of electronic means on Thursday, 28 April 2022 at 10.30 a.m., to transact the following business:-

ORDINARY BUSINESS

- | | | |
|----|--|---------------------|
| 1. | To receive and adopt the Directors’ Statement and the Audited Financial Statements for the financial year ended 31 December 2021 and the Auditor’s Report thereon. | Resolution 1 |
| 2. | To declare and approve a first and final tax exempt (one-tier) dividend of 2.25 cents per ordinary share for the financial year ended 31 December 2021. | Resolution 2 |
| 3. | To approve the payment of Directors’ fees of S\$173,666.67 for the financial year ended 31 December 2021. (2020: S\$184,000.00). | Resolution 3 |
| 4. | To re-elect Mr. James Tham Tuck Choong, a Director retiring pursuant to Regulation 92 of the Company’s Constitution. <i>[See Explanatory Note (a)]</i> | Resolution 4 |
| 5. | To re-elect Ms. Tung May Fong, a Director retiring pursuant to Regulation 92 of the Company’s Constitution. <i>[See Explanatory Note (b)]</i> | Resolution 5 |
| 6. | To re-elect Mr. Keith Tan Keng Soon, a Director retiring pursuant to Regulation 98 of the Company’s Constitution. <i>[See Explanatory Note (c)]</i> | Resolution 6 |
| 7. | To re-elect Mr. Henry Tan Song Kok, a Director retiring pursuant to Regulation 98 of the Company’s Constitution. <i>[See Explanatory Note (d)]</i> | Resolution 7 |
| 8. | To re-appoint PKF-CAP LLP as the auditor of the Company for the ensuing year and to authorise the Directors to fix their remuneration. | Resolution 8 |

SPECIAL BUSINESS

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

- | | | |
|----|---|---------------------|
| 9. | Share Issue Mandate | Resolution 9 |
| | <p>“That pursuant to Section 161 of the Companies Act 1967 and the Listing Manual (“Listing Manual”) of the Singapore Exchange Securities Trading Limited (“SGX-ST”), authority be and is hereby given to the Directors of the Company to:</p> <p>(a) (i) issue shares in the capital of the Company (“Shares”) whether by way of bonus issue, rights issue or otherwise; and/or</p> <p>(ii) make or grant offers, agreements or options (collectively “Instruments”) that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into Shares; and/or</p> <p>at any time to such persons and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit; and</p> | |

- (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue Shares in pursuance of any Instrument made or granted by the Directors while this Resolution is in force,

provided that:

- (i) the aggregate number of Shares to be issued pursuant to this Resolution (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 50% of the total number of issued Shares (excluding treasury shares and subsidiary holdings, if any) in the capital of the Company at the time of passing of this Resolution, of which the aggregate number of Shares issued other than on a pro rata basis does not exceed 20% of the total number of issued Shares (excluding treasury shares and subsidiary holdings, if any) in the capital of the Company.
- (ii) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (i) above, the total number of issued Shares (excluding treasury shares and subsidiary holdings) shall be based on the total number of issued Shares (excluding treasury shares and subsidiary holdings) as at the time of the passing of this Resolution after adjusting for:
- (aa) new Shares arising from the conversion or exercise of convertible securities;
- (bb) new Shares arising from exercising share options or vesting of share awards provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual of the SGX-ST; and
- (cc) any subsequent bonus issue, consolidation or subdivision of Shares;
- and provided also that adjustments in accordance with (aa) or (bb) are only to be made in respect of new shares arising from convertible securities, share options or share awards which were issued and outstanding or subsisting at the time this Resolution is passed; and
- (iii) (unless revoked or varied by the Company in general meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required by law to be held, whichever is the earlier and in this Resolution, “subsidiary holdings” has the meaning given to it in the Listing Manual of the SGX-ST.” *[See Explanatory Note (e)]*

- | | | |
|-----|---|----------------------|
| 10. | The Proposed Renewal of the Share Buy-back Mandate | Resolution 10 |
|-----|---|----------------------|

“That:

- (a) for the purposes of the Companies Act 1967 (the “**Companies Act**”), the exercise by the Directors of the Company of all the powers of the Company to purchase or otherwise acquire issued Shares (“**Share Buy-Back**”) not exceeding in aggregate the Prescribed Limit (as hereafter defined), at such price(s) as may be determined by the Directors from time to time up to the Maximum Price (as hereafter defined), whether by way of:-
- (i) An on-market Share Buy-Back (“**On-Market Share Buy-back**”), transacted on the SGX-ST’s trading system; and/or
- (ii) An off-market Share Buy-Back (“**Off-Market Equal Access Share Buy-back**”) effected otherwise than on the SGX-ST in accordance with any equal access scheme(s) as may be determined or formulated by the Directors of the Company as they consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act, and otherwise in accordance with all other laws and regulations and rules of the SGX-ST as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the “**Share Buy-back Mandate**”);

(b) unless varied or revoked by the Company in a general meeting, the authority conferred on the Directors of the Company pursuant to the Share Buy-back Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the passing of this Resolution and expiring on the earlier of:-

- (i) the date on which the next Annual General Meeting of the Company is held;
- (ii) the date on which the Share Buy-backs are carried out to the full extent mandated; or
- (iii) the date by which next Annual General Meeting of the Company is required by law to be held;

(c) In this Resolution:-

“Prescribed Limit” means ten per cent (10%) of the total number of Shares issued by the Company (excluding any treasury shares and subsidiary holdings that may be held by the Company) as at the date of passing of this Resolution; and

“Maximum Price” in relation to a Share to be purchased or acquired, means an amount (excluding brokerage, commission, stamp duties, applicable goods and services tax, clearance fees and other related expenses) not exceeding:-

- (i) in the case of an On-Market Share Buy-back, 105% of the Average Closing Price of the Shares; and
- (ii) in the case of an Off-Market Equal Access Share Buy-back pursuant to an equal access scheme, 110% of the Average Closing Price of the Shares;

Where:-

“Average Closing Price” means the average of the last dealt prices of an ordinary Share for the five consecutive Market Days on which the Shares are transacted on the SGX-ST immediately preceding the date of the On-Market Share Buy-back by the Company or, as the case may be, the date of the making of the offer pursuant to the Off-Market Equal Access Buy-back, and deemed to be adjusted, in accordance with the Listing Manual, for any corporate action that occurs after the relevant five-day period;

“Market Day” means a day on which the SGX-ST is open for trading in securities; and

“Date of the making of the offer” means the date on which the Company announces its intention to make an offer for an Off-Market Equal Access Share Buy-back, stating the purchase price which shall not be more than 110% of the Average Closing Price of the Shares (excluding related expenses of the purchase or acquisition) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Equal Access Share Buy-back.

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

NOTICE IS HEREBY GIVEN that the Share Transfer Books and Register of Members of the Company will be closed on 11 May 2022 at 5.00 p.m. for the purpose of determining members’ entitlement to the proposed first and final tax exempt (one-tier) dividend of 2.25 cents per ordinary share for the financial year ended 31 December 2021 (the **“Proposed Dividend”**).

Duly completed transfers received by the Company’s Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., 1 Harbourfront Avenue, #14-07 Keppel Bay Tower, Singapore 098632, up to 5.00 p.m. on 11 May 2022 will be registered before members’ entitlement to the Proposed Dividend is determined.

Members (being depositors) whose securities accounts with The Central Depository (Pte) Limited are credited with ordinary shares of the Company as at 5.00 p.m. on 11 May 2022 will be entitled to the Proposed Dividend.

The Proposed Dividend, if approved at the 2022 Annual General Meeting, will be paid on 24 May 2022.

By Order Of The Board

Heng Michelle Fiona
Company Secretary
7 April 2022

Explanatory Notes:

- (a) Detailed information pursuant to Rule 720(6) of the Listing Manual of the SGX-ST on Mr James Tham Tuck Choong can be found under the section entitled “Additional Information on Directors Seeking Re-Election”.
- (b) Detailed information pursuant to Rule 720(6) of the Listing Manual of the SGX-ST on Ms Tung May Fong can be found under the section entitled “Additional Information on Directors Seeking Re-Election”.
- (c) Detailed information pursuant to Rule 720(6) of the Listing Manual of the SGX-ST on Mr Keith Tan Keng Soon can be found under the section entitled “Additional Information on Directors Seeking Re-Election”.
- (d) Mr. Henry Tan Song Kok, an Independent Director, if re-elected, will continue to serve as Chairman of the Audit and Risk Committee and Member of the Remuneration Committee. He is considered an independent director for purposes of Rule 704(8) of the Listing Manual of the SGX-ST. For further information on Mr Tan, please refer to the section on the “Board of Directors” in the Annual Report 2021. Detailed information pursuant to Rule 720(6) of the Listing Manual of the SGX-ST on Mr. Tan can be found under the section entitled “Additional Information on Directors Seeking Re-Election”.
- (e) The Ordinary Resolution No. 9, if passed, will empower the Directors from the date of this Annual General Meeting to allot and issue shares and convertible securities in the Company up to an amount not exceeding 50% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company, of which up to 20% may be issued other than on a pro rata basis. This authority will, unless previously revoked or varied at a general meeting, expire at the next Annual General Meeting of the Company.

For the purpose of this resolution, the total number of issued shares (excluding treasury shares and subsidiary holdings) is based on the Company’s total number of issued shares (excluding treasury shares and subsidiary holdings) at the time that this proposed Ordinary Resolution is passed after adjusting for new shares arising from the conversion or exercise of convertible securities, the exercise of share options or the vesting of share awards outstanding or subsisting at the time when this proposed Ordinary Resolution is passed and any subsequent bonus issue, consolidation or subdivision of shares.

- (f) The Ordinary Resolution No. 10, 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 7 April 2022.

Notes:

1. The AGM will be held by electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020 (as amended) (the “**Order**”). The AGM will be conducted in accordance with the checklist set out in the guidance on the conduct of general meetings amid evolving COVID-19 situation issued by the Accounting and Corporate Regulatory Authority, the Monetary Authority of Singapore and Singapore Exchange Regulation, most recently updated on 4 February 2022. Printed copies of this Notice will not be sent to members. Instead, this Notice will be sent to members by electronic means via publication on the Company’s website at <http://www.penguin.com.sg/about-us/investor-relations/> and on the SGX website at <https://www.sgx.com/securities/company-announcements>.

2. Pursuant to the Order, the Company will implement alternative arrangements relating to attendance at the AGM via electronic means (including arrangements by which the meeting can be electronically accessed via live audio-visual webcast or audio-only means), submission of questions to the Chairman of the Meeting in advance of the AGM, addressing of substantial and relevant questions at the AGM and voting by appointing the Chairman of the AGM as proxy at the AGM.

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

The live webcast can be accessed through an online platform that will be provided to registered and authenticated members on the day before the AGM, and the web audio-only means can be accessed through <https://conveneagm.com/sg/penguin2022/>

To access the live webcast and the audio-only means, members need to register by no later than 25 April 2022, 10.30 a.m., being 72 hours before the time fixed for the AGM (“**Registration Deadline**”) to enable the Company to verify their status. Authenticated members will receive an email a day before the AGM, containing unique user credentials and instructions on how to access the live audio-visual webcast and the audio-only stream of the AGM proceedings.

Members can register by clicking on <https://conveneagm.com/sg/penguin2022/> and we advise all members to register as early as possible. Members are advised to also check the Junk folder of their email in case the emails are directed there instead of Inbox. Members who registered by the Registration Deadline but do not receive an email response by 27 April 2022, 10.30 a.m. should immediately contact Convene support@conveneagm.com

Members are reminded that the AGM proceedings are private. Accordingly, members should not forward the abovementioned email instructions to other persons who are not members and who are not entitled to attend the AGM. This is also to avoid any technical disruptions or overload to the live webcast and audio-only feed.

4. **A member (whether individual or corporate) must appoint the Chairman of the Meeting as his/her/its proxy to vote on his/her/its behalf at the AGM if such member wishes to exercise his/her/its voting rights at the AGM.** Please note that a member may not vote at the AGM otherwise than by way of appointing the Chairman of the Meeting as the member’s proxy. The accompanying proxy form for the AGM will be published on the Company’s website at <http://www.penguin.com.sg/about-us/investor-relations/> and on the SGX website at <https://www.sgx.com/securities/company-announcements>.

5. Where a member (whether individual or corporate) appoints the Chairman of the Meeting as his/her/its proxy, he/she/it must give specific instructions as to voting, or abstentions from voting, in respect of a resolution in the proxy form, failing which the appointment of the Chairman of the Meeting as proxy for that resolution will be treated as invalid

CPF or SRS investors who wish to appoint the Chairman of the Meeting as proxy should approach their respective CPF Agent Banks or SRS Operators to submit their votes by 5.00 p.m. on 18 April 2022.

Persons who hold Penguin shares through relevant intermediaries (as defined in Section 181 of the Companies Act 1967) (other than CPF/SRS Investors) who wish to vote should approach his/her relevant intermediary as soon as possible to specify voting instructions.

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

7. The instrument appointing the Chairman of the Meeting as proxy must be submitted to the Company in the following manner: (a) if submitted by post, be lodged at the office of the Company’s Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., 1 Harbourfront Avenue, #14-07 Keppel Bay Tower, Singapore 098632; or (b) if submitted electronically, be submitted via email to the Company at agm@penguin.com.sg, in either case not less than 72 hours before the time appointed for the AGM. A member who wishes to submit an instrument of proxy must first download, complete and sign the proxy form, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above.

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

8. A member who wishes to raise any matters at the AGM must submit such matters or any questions related to the AGM through the e-AGM Webcast Registration by clicking on the link <https://conveneagm.com/sg/penguin2022/>. Members are required to submit the matters they wish to be heard on and/or their questions by 5.00 p.m. on 15 April 2022. The Company will respond to substantial and relevant questions and the response will be published on the SGX website.

9. The Annual Report 2021 and the Letter to Shareholders dated 7 April 2022 (in relation to the proposed renewal of share buy-back mandate) may be accessed at the Company’s website at <http://www.penguin.com.sg/about-us/investor-relations/> as follows: (a) the Annual Report 2021 may be accessed by clicking on the hyperlink for “Annual Report 2021”; and (b) the Letter to Shareholders dated 7 April 2022 may be accessed by clicking on the hyperlink for “Letter to Shareholders”.

Personal Data Privacy

By submitting an instrument appointing the Chairman of the Meeting to vote at the AGM and / or any adjournment thereof, a member of the Company consents to the collection, use and disclosure of the member’s personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of the appointment of the Chairman of the Meeting as proxy for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, take-over rules, regulations and / or guidelines.

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Mr James Tham Tuck Choong, and **Ms Tung May Fong**, are the Directors seeking re-election, pursuant to Regulation 92 of the Company's Constitution, at the annual general meeting of the Company on 28 April 2022 ("AGM") (collectively, the "Retiring Directors" and each a "Retiring Director").

Pursuant to Rule 720(6) of the Listing Manual of the SGX-ST, the information relating to the Retiring Directors as set out in Appendix 7.4.1 to the Listing Manual of the SGX-ST for **Mr James Tham Tuck Choong** and **Ms Tung May Fong** is set out below:

Name of Director	James Tham Tuck Choong	Tung May Fong
Date of appointment	15 August 2008	2 May 2008
Date of last re-appointment (if applicable)	25 April 2019	25 April 2019
Age	51	49
Country of principal residence	Singapore	Singapore
The Board's comments on this appointment (including rationale, selection criteria, board diversity considerations and the search and nomination process)	The Board has considered, among others, the recommendation of the Nominating Committee ("NC") and has reviewed and considered the performance, contributions, qualifications, expertise, work experience and suitability of Mr Tham for re-election as the Managing Director of the Company. The Board has accepted the NC's recommendation and concluded that Mr Tham possesses the experience, expertise, knowledge and skills to contribute towards the core competencies of the Board. In addition, Mr Tham has the experience and in-depth knowledge of the Group's business to lead its operations and growth as well as oversee its overall strategic business development.	The Board has considered, among others, the NC's recommendation and has reviewed and considered the performance, contributions, qualifications, expertise, work experience and suitability of Ms Tung for re-election as the Finance & Administration Director of the Company. The Board has accepted the NC's recommendation and concluded that Ms Tung possesses the experience, expertise, knowledge and skills to contribute towards the core competencies of the Board. In addition, with her vast experience and in-depth knowledge of the Group's operations and functions, Ms Tung is in a good position to manage and oversee the management of the Group's administration, finance and compliance activities.
Whether appointment is executive, and if so, the area of responsibility	Managing Director - leading the development of the Company's short and long term strategy and managing the overall operations and resources of the Company.	Executive Director - responsible for the Group's accounting and finance, corporate reporting, management information system and human resource functions.
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Managing Director	Finance and Administration Director

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION (CONT'D)

Name of Director	James Tham Tuck Choong	Tung May Fong
Professional qualifications	<ul style="list-style-type: none"> Bachelor of Business Administration from College of Business Administration, Ohio University Bachelor of Science in Journalism from Scripps School of Journalism, Ohio University 	<ul style="list-style-type: none"> ACCA Diploma with Merit in Accounting
Working experience and occupation(s) during the past 10 years	Managing Director, Penguin International Limited	Finance & Administration Director, Penguin International Limited
Shareholding interest in the Company and its subsidiaries	Nil	Nil
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the Company and/or substantial shareholder of the Company or of any of its principal subsidiaries	No	No
Conflict of interest (including any competing business)	No	No
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the Company	Yes	Yes
Other Principal Commitments including Directorships: Past (for the last 5 years):	Nil	Nil
Present:	Director of Penguin International Limited and subsidiaries	Director of Penguin International Limited and subsidiaries

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION (CONT'D)

Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is "yes", full details must be given.

Name of Director	James Tham Tuck Choong	Tung May Fong
(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No
(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No
(c) Whether there is any unsatisfied judgment against him?	No	No
(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No
(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION (CONT'D)

Name of Director	James Tham Tuck Choong	Tung May Fong
(f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No
(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No
(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No
(i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION (CONT'D)

Name of Director	James Tham Tuck Choong	Tung May Fong
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of :— (i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or (ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or (iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or (iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No	No
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No
Disclosure applicable to the appointment of Director only.		
Any prior experience as a director of a listed company? If yes, please provide details of prior experience. If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange. Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).	Yes. Appointed Director of Penguin International Limited since 2008. N.A. N.A.	Yes. Appointed Director of Penguin International Limited since 2008. N.A. N.A.

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION (CONT'D)

Mr Keith Tan Keng Soon and **Mr Henry Tan Song Kok** are the Directors seeking re-election, pursuant to Regulation 98 of the Company's Constitution, at the annual general meeting of the Company on 28 April 2022 ("**AGM**") (collectively, the "**Retiring Directors**" and each a "**Retiring Director**").

Pursuant to Rule 720(6) of the Listing Manual of the SGX-ST, the information relating to the Retiring Directors as set out in Appendix 7.4.1 to the Listing Manual of the SGX-ST for **Mr Keith Tan Keng Soon** and **Mr Henry Tan Song Kok** is set out below:

Name of Director	Keith Tan Keng Soon	Henry Tan Song Kok
Date of appointment	9 June 2021	1 July 2021
Date of last re-appointment (if applicable)	N.A.	N.A.
Age	50	58
Country of principal residence	Singapore	Singapore
The Board's comments on this appointment (including rationale, selection criteria, board diversity considerations and the search and nomination process)	The Board has considered, among others, the recommendation of the Nominating Committee ("NC") and has reviewed and considered the performance, contributions, qualifications, expertise, work experience and suitability of Mr Keith Tan for re-election as the Director of the Company. The Board has accepted the NC's recommendation and concluded that Mr Keith Tan possesses the experience, expertise, knowledge and skills to contribute towards the core competencies of the Board.	The Board has considered, among others, the recommendation of the NC and has reviewed and considered the performance, contributions, qualifications, expertise, work experience and suitability of Mr Henry Tan for re-election as the Director of the Company. The Board has accepted the NC's recommendation and concluded that Mr Henry Tan possesses the experience, expertise, knowledge and skills to contribute towards the core competencies of the Board.
Whether appointment is executive, and if so, the area of responsibility	Non-executive	Non-executive
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Non-executive Non Independent Director	Independent Director AC Chairman and RC Member

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION (CONT'D)

Name of Director	Keith Tan Keng Soon	Henry Tan Song Kok
Professional qualifications	2nd Class Honours in Banking and Finance from Nanyang Technological University	<ul style="list-style-type: none"> • Degree of Bachelor of Accountancy (First Class Honours) from National University of Singapore • Advanced Executive Management Development Program of Beijing Tsinghua University from Beijing Tsinghua University • Fellow of the Institute of Singapore Chartered Accountants • Associate Member of the Institute of Internal Auditors • Fellow of Insolvency Practitioners Association of Singapore • Fellow of the Institute of Chartered Accountants of Australia and New Zealand • Accredited Tax Advisor (Income Tax) of Singapore Chartered Tax Professionals • Fellow of CPA Australia • Fellow of Singapore Institute of Director • Chartered Valuer And Appraiser (CVA) from Institute of Valuers and Appraisers, Singapore • ASEAN Chartered Professional Accountant from Institute of Singapore Chartered Accountants • ISCA Financial Forensic Professional Credential from Institute of Singapore Chartered Accountants • Insolvency Practitioner's Licence from Ministry of Law Singapore

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION (CONT'D)

Name of Director	Keith Tan Keng Soon	Henry Tan Song Kok
Working experience and occupation(s) during the past 10 years	Co-Founder and Managing Partner, Dymon Asia Capital (July 2008 to Present)	Group CEO & Chief Innovation Officer, Nexia TS Group (Nov 1993 – Present)
Shareholding interest in the Company and its subsidiaries	Nil	Nil
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the Company and/or substantial shareholder of the Company or of any of its principal subsidiaries	No	No
Conflict of interest (including any competing business)	No	No
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the Company	Yes	Yes
Other Principal Commitments including Directorships: Past (for the last 5 years):	Nil	<ol style="list-style-type: none"> 1. Raffles Education Corporation Limited – Lead ID & Chairman of Audit Committee 2. Yinda Infocomm Limited – Non Executive Director 3. Singapore Fintech Association – Exco & Treasurer 4. YHI International Limited – Non-Executive Director 5. Wesley Vineyard Childcare Ltd – Non-Executive Director

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION (CONT'D)

Name of Director	Keith Tan Keng Soon	Henry Tan Song Kok
Present:	<ol style="list-style-type: none"> 1. Dymon Asia Private Equity (Singapore) Pte. Ltd. - Chief Executive Officer, Director 2. Dymon Asia Capital (Singapore) Pte. Ltd. - Director 3. Dymon Asia Capital Ltd - Director 4. HSL Constructor Pte Ltd - Director 5. Select Group Pte Ltd - Director 6. EDC@SCCCI Pte. Ltd. - Director 7. Sanjuro United Pte. Ltd. - Director 8. Digileap Capital Limited - Director 9. Lotto Investment Pte. Ltd. - Director 10. DAPE Ltd. - Director 11. Skycrane Pte. Ltd. - Director 12. International Culinary Management Ltd - Director 13. Dymon Asia Private Equity Management Consulting (Malaysia) Sdn. Bhd. - Director 14. Dymon Asia Private Equity (S.E. Asia) Ltd - Director 15. Dymon Asia Private Equity (S.E. Asia) 2012 Ltd - Director 16. Dymon Asia Private Equity (S.E. Asia) II Ltd - Director 17. Dymon Asia Private Equity (S.E. Asia) 2017 LLC - Director 18. Dymon Asia Private Equity (S.E. Asia) Fund II Pte. Ltd - Director 19. THE YELLOW RIBBON FUND - Vice Chairman 20. Emet Grace Ltd. - Director 21. Penguin International Limited - Non-Executive Non-Independent Director 22. Chye Thiam Maintenance Pte. Ltd. - Director 23. Challenger Technologies Limited - Non-Executive Non-Independent Director 24. NewMedCo Group Ltd. - Director 25. Hanaan Health Group Ltd. - Director 26. Dymon Asia Private Equity (S.E. Asia) 2022 LLC - Director 27. Dymon Asia Private Equity (S.E. Asia) III Ltd. - Director 	<p>Listed Companies:</p> <ol style="list-style-type: none"> 1. BH Global Corporation Limited - Independent Non-Executive Director 2. Asia Vets Holdings Ltd - Independent Director 3. Dyna-Mac Holdings Ltd. - Independent Director 4. China New Town Development Co. Ltd. - Non-Executive Director 5. Penguin International Limited - Independent Director 6. Trans-China Automotive Holdings Limited - Independent Director <p>Other Directorships:</p> <ol style="list-style-type: none"> 7. Nexia TS Pte Ltd - Director 8. TSA Capital Pte Ltd - Director 9. TSA Recruitment Consultants Pte Ltd - Director 10. Nexia TS (Shanghai) Co. Ltd - Director 11. Nexia China Pte Ltd - Director 12. Nexia TS Public Accounting Corporation - Director 13. Nexia TS Risk Advisory Pte. Ltd. - Director 14. Nexia TS Tax Services Pte. Ltd. - Director 15. Nexia TS Technology Pte. Ltd. - Director 16. Nexia TS Advisory Pte. Ltd. - Director 17. NTS Myanmar Co. Ltd - Director 18. NTS Asia Advisory Sdn Bhd - Director 19. 2T Investment Holdings Pte Ltd - Director 20. Medalion Asset Management Pte Ltd - Director 21. Alpha International - Non-Executive Director 22. The Methodist Church in Singapore - Non Executive Director 23. Nanyang Business Scholl (NBS) Alumni Advisory Board - Chairman 24. Methodist Preschool Services Pte. Ltd. - Chairman

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION (CONT'D)

Name of Director	Keith Tan Keng Soon	Henry Tan Song Kok
		<p>Other Appointments:</p> <ol style="list-style-type: none"> 1. Trinity Annual Conference of The Methodist Church in Singapore - Lay Leader 2. Wesley Methodist Church - Chairman 3. Education Subcommittee on Sustainability Reporting of ISCA - Chairman 4. Institute of Singapore Chartered Accountants (ISCA) Corporate Reporting Committee - Member 5. Institute of Singapore Chartered Accountants (ISCA) - Council Member 6. Singapore Dental Council Complaints Panel - Lay Member 7. The Anglo-Chinese Schools Foundation - Committee Member (Governance Committee) 8. Dedoco Pte Ltd - Advisor 9. Gideons International - Committee Member 10. National Council of Churches of Singapore - General Committee Member 11. Institute of Valuers and Appraisers, Singapore - Council Member 12. Sustainability Excellence Sub-Committee of ISCA - Member 13. Changing Minds Limited - Advisory Board Member 14. ASEAN Federation of Accountants - AFA Treasurer and AFA Working Committee 2



ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION (CONT'D)

Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is "yes", full details must be given.

Name of Director	Keith Tan Keng Soon	Henry Tan Song Kok
(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No
(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No
(c) Whether there is any unsatisfied judgment against him?	No	No
(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No
(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION (CONT'D)

Name of Director	Keith Tan Keng Soon	Henry Tan Song Kok
(f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No
(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No
(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No
(i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of :— (i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or (ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No	No

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION (CONT'D)

Name of Director	Keith Tan Keng Soon	Henry Tan Song Kok
<p>(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or</p> <p>(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?</p>		
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No
Disclosure applicable to the appointment of Director only.		
Any prior experience as a director of a listed company? If yes, please provide details of prior experience.	No.	Yes. Appointed Director of: 1. BH Global Corporation Limited 2. Asia Vets Holdings Ltd 3. Dyna-Mac Holdings Ltd. 4. Penguin International Limited 5. Trans-China Automotive Holdings Limited
If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange.	He is attending the Listed Entity Director Programme comprising LED1-8 conducted by SID.	N.A.
Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).	N.A.	N.A.



PENGUIN

PENGUIN INTERNATIONAL LIMITED

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

PROXY FORM

Please read notes overleaf before completing this Form

IMPORTANT

- The AGM will be held by electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020 (as amended) (the "Order"). The AGM will be conducted in accordance with the checklist set out in the guidance on the conduct of general meetings amid evolving COVID-19 situation issued by the Accounting and Corporate Regulatory Authority, the Monetary Authority of Singapore and Singapore Exchange Regulation, most recently updated on 4 February 2022. Printed copies of the Notice of Meeting ("Notice") together with the proxy form and Letter to Shareholders dated 7 April 2022 will not be sent to members. Instead, the Notice, proxy form and Letter to Shareholders dated 7 April 2022 will be sent to members by electronic means via publication on the Company's website at <http://www.penguin.com.sg/about-us/investor-relations/> and on the SGX website at <https://www.sgx.com/securities/company-announcements>.
- Pursuant to the Order, the Company will implement alternative arrangements relating to attendance at the AGM via electronic means (including arrangements by which the meeting can be electronically accessed via live audio-visual webcast or audio-only means), submission of questions to the Chairman of the Meeting in advance of the AGM, addressing of substantial and relevant questions at the AGM and voting by appointing the Chairman of the AGM as proxy at the AGM as set out in the accompanying Company announcement dated 7 April 2022 (the "Announcement"). This Announcement may be accessed at the Company's website at <http://www.penguin.com.sg/about-us/investor-relations/>, and on the SGX website at <https://www.sgx.com/securities/company-announcements>.
- Due to the current COVID-19 restriction orders in Singapore, a member will not be able to attend the Meeting in person. A member (whether individual or corporate) must appoint the Chairman of the Meeting as his/her/its proxy to vote on his/her/its behalf at the Meeting if such member wishes to exercise his/her/its voting rights at the Meeting.**
- This proxy form is not valid for use by persons holding shares in the Company through relevant intermediaries (as defined in Section 181 of the Companies Act 1967) (including CPF/SRS investors) ("Investors") and shall be ineffective for all intents and purposes if used or purported to be used by them. Investors who wish to vote should instead approach his/her relevant intermediary as soon as possible to specify voting instructions. CPF/SRS investors who wish to appoint the Chairman of the Meeting as proxy should approach their respective CPF Agent Banks or SRS Operators to submit their votes by 5.00 p.m. on 18 April 2022.
- Please read the notes overleaf which contain instructions on, inter alia, the appointment of the Chairman of the Meeting as a member's proxy to vote on his/her/its behalf at the Meeting.

PERSONAL DATA PRIVACY
By submitting this proxy form, the member accepts and agrees to the personal data privacy terms set out in the Notice dated 7 April 2022.

I/We _____ (Name)

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

of _____ (Address)

being a *member/members of **PENGUIN INTERNATIONAL LIMITED** (the "Company"), hereby appoint the **Chairman of the Meeting** as *my/our proxy to attend and vote for *me/us on *my/our behalf at the Annual General Meeting of the Company (the "Meeting") to be held by way of electronic means on Thursday, 28 April 2022 at 10.30 a.m. and at any adjournment thereof in the following manner:

NO.	ORDINARY RESOLUTIONS	For*	Against*	Abstain*
ORDINARY BUSINESS				
1.	Adoption of Directors' Statement and Audited Financial Statements			
2.	Declaration and Approval of First and Final Dividend			
3.	Approval of Directors' Fees			
4.	Re-election of Mr. James Tham Tuck Choong as Director			
5.	Re-election of Ms. Tung May Fong as Director			
6.	Re-election of Mr. Keith Tan Keng Soon as Director			
7.	Re-election of Mr. Henry Tan Song Kok as Director			
8.	Re-appointment of PKF-CAP LLP as Auditor			
SPECIAL BUSINESS				
9.	Authority to issue shares pursuant to Share Issue Mandate			
10.	Renewal of Share Buy-back Mandate			

Voting will be conducted by poll. Please indicate your vote "For", "Against" or "Abstain" with an "J" within the box provided. Alternatively, please indicate the number of votes "For" or "Against" within the box provided. If you wish the Chairman of the Meeting as your proxy to "Abstain" from voting on a resolution, please indicate "J" in the "Abstain" box in respect of that resolution. Alternatively, please indicate the number of shares that the Chairman of the Meeting as your proxy is directed to abstain from voting in that resolution. **In the absence of specific direction in respect of a resolution, the appointment of the Chairman of the Meeting as your proxy for that resolution will be treated as invalid.*

Dated this _____ day of _____ 2022.

Total No. of Shares Held

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

* Please delete accordingly

IMPORTANT: PLEASE READ NOTES OVERLEAF



NOTES

IMPORTANT: PLEASE READ NOTES BEFORE COMPLETING THIS PROXY FORM

1. A member should insert the total number of shares held. If the member has shares entered against his name in the Depository Register (maintained by The Central Depository (Pte) Limited), he should insert that number of shares. If the member has shares registered in his name in the Register of Members (maintained by or on behalf of the Company), he should insert that number of shares. If the member has shares entered against his name in the Depository Register and shares registered in his name in the Register of Members, he should insert the aggregate number of shares. If no number is inserted, this proxy form will be deemed to relate to all the shares held by the member.
2. **Due to the current COVID-19 restriction orders in Singapore, a member will not be able to attend the Meeting in person. A member (whether individual or corporate) must appoint the Chairman of the Meeting as his/her/its proxy to attend and vote on his/her/its behalf at the Annual General Meeting if such member wishes to exercise his/her/its voting rights at the Meeting.** Please note that a member may not vote at the AGM otherwise than by way of appointing the Chairman of the Meeting as the member's proxy. This proxy form may be accessed at the Company's website at <http://www.penguin.com.sg/about-us/investor-relations/>, and on the SGX website at <https://www.sgx.com/securities/company-announcements>.

Where a member (whether individual or corporate) appoints the Chairman of the Meeting as his/her/its proxy, he/she/it must give specific instructions as to voting, or abstentions from voting, in respect of a resolution in the proxy form, failing which the appointment of the Chairman of the Meeting as proxy for that resolution will be treated as invalid.

This proxy form is not valid for use by Investors and shall be ineffective for all intent and purposes if used or purported to be used by them. Investors who wish to vote should instead approach his/her relevant intermediary as soon as possible to specify voting instructions. CPF/SRS investors who wish to appoint the Chairman of the Meeting as proxy should approach their respective CPF Agent Banks or SRS Operators to submit their votes by 5.00 p.m. on 18 April 2022.

3. The Chairman of the Meeting, as proxy, need not be a member of the Company.
4. The instrument appointing the Chairman of the Meeting as proxy must be submitted to the Company in the following manner:
 - a. if submitted by post, be lodged at the office of the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., 1 Harbourfront Avenue, #14-07 Keppel Bay Tower, Singapore 098632; or
 - b. if submitted electronically, be submitted via email to the Company at agm@penguin.com.sg

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

A member who wishes to submit an instrument of proxy must first download, complete and sign the proxy form, before submitting it by post to the address provided, or before scanning and sending it by email to the email address provided.

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

5. The instrument appointing the Chairman of the Meeting as proxy must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing the Chairman of the Meeting as proxy is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised.
6. Where an instrument appointing the Chairman of the Meeting as proxy is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company), if the instrument appointing the Chairman of the Meeting as proxy is submitted by post, be lodged with the instrument of proxy or, if the instrument appointing the Chairman of the Meeting as proxy is submitted electronically via email, be emailed with the instrument of proxy, failing which the instrument may be treated as invalid.
7. The Company shall be entitled to reject the instrument appointing the Chairman of the Meeting as proxy if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing the Chairman of the Meeting as proxy (including any related attachment). In addition, in the case of members whose shares are entered against their names in the Depository Register, the Company may reject any instrument appointing the Chairman of the Meeting as proxy lodged or submitted if such members are not shown to have shares entered against their names in the Depository Register 72 hours before the time appointed for holding the Annual General Meeting as certified by The Central Depository (Pte) Limited to the Company.
8. Members should take note that once this proxy form is lodged with the Company's Share Registrar or submitted electronically via email to the Company at agm@penguin.com.sg, they cannot change their vote as indicated in the box provided above.



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