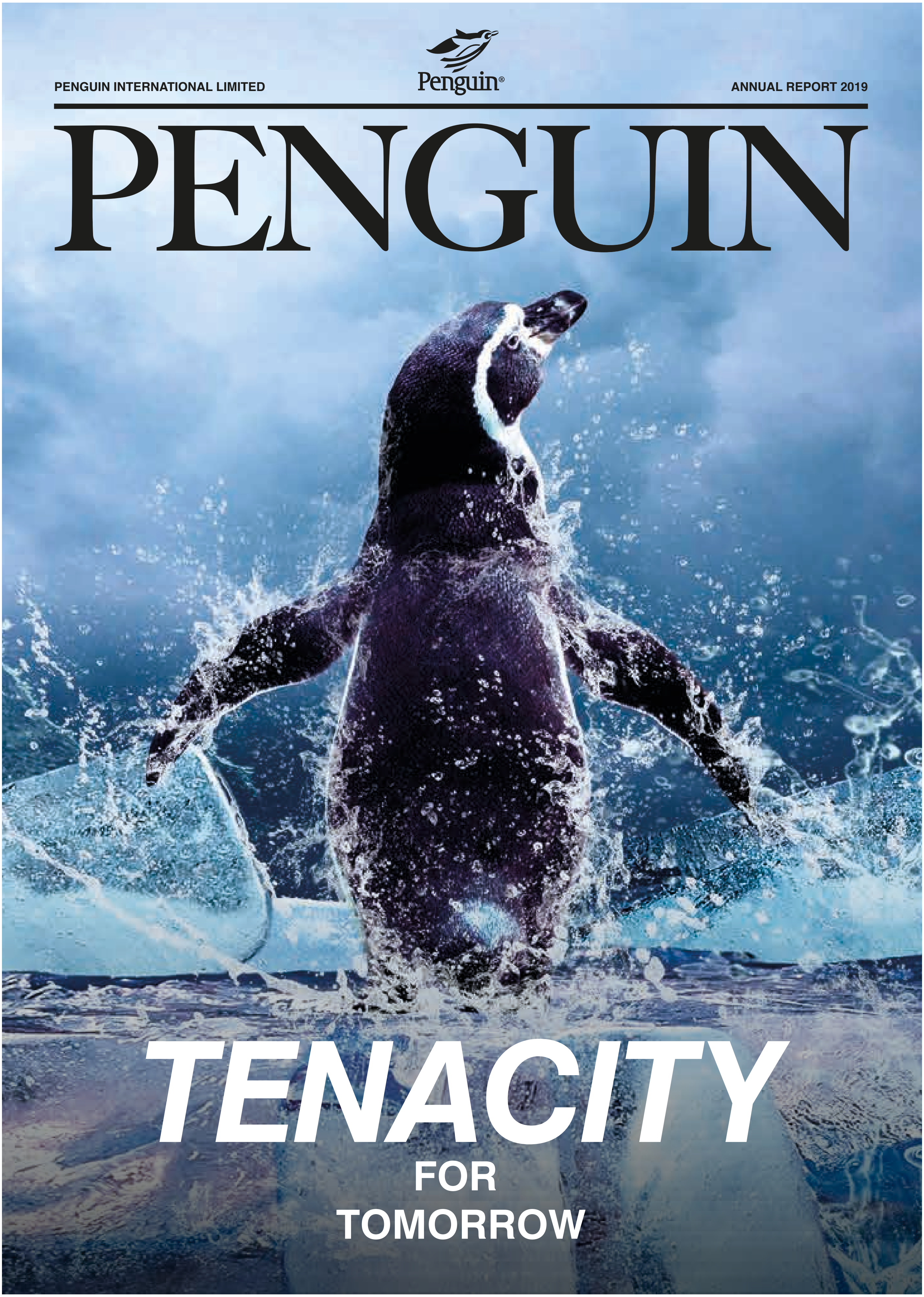
PENGUIN INTERNATIONAL LIMITED

ANNUAL REPORT 2019

PENGUIN



TENACITY

FOR TOMORROW

CONTENT
ANNUAL REPORT 2019

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STANDING STRONG

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

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

Flex Fighter: The world's best-selling armoured security boat.

STAYING **AHEAD**

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

Similarly, Penguin International Limited's integrated capabilities as a designer-builder-owner-operator have enabled us to capture new opportunities amidst fierce competition, backed by our strong balance sheet, our Flex brand, our global network and our pricing power as one of the world's most cost-effective crewboat builders and operators of high speed vessels.

First in the world: 35m Service Accommodation and Transfer Vessel for offshore wind.

PURSUING GROWTH

Flex Ferry X: The world's hottest stock ferry has arrived!

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

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

WELCOME
TO THE HOME OF THE FLEX

Home of the Flex: Penguin Shipyard International at 18 Tuas Basin Link, Singapore.

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

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

As owners and operators, we manage a fleet of crewboats, passenger ferries and workboats that serve charterers around the world.

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

We undertake a variety of build-for-stock and build-to-order projects, including fire fighting search-and-rescue vessels, patrol boats, security vessels, offshore crewboats, windfarm crew transfer vessels and passenger ferries.

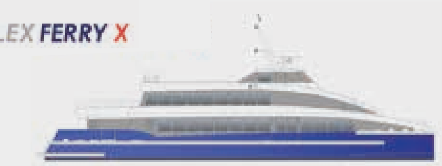
Whether you are a ship owner or a charterer, you will enjoy peace of mind with the Penguin brand, which stands for integrity, professionalism and mutual respect.

Our marine travel lift in Singapore

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).

GO AHEAD. FLEX YOUR FLEET!

THE FLEX FAMILY
OUR RANGE OF HIGH-SPEED COMMERCIAL CRAFT

	ENGINE POWER (BHP)	PAX CAPACITY (seats)	CARGO DECK (sqm)	FUEL CAPACITY (kL)
MULTI-ROLE OFFSHORE CREWBOATS				
FLEX-42X 	4350	80*	110	80
FLEX-40SC 	4350	86	93	86
SECURITY BOATS				
FLEX FIGHTER X 	4350	60#	110	80
FLEX FIGHTER 	4350	50#	93	86
PASSENGER FERRY				
FLEX FERRY X 	2900	285	-	7
WINDFARM CREW TRANSFER VESSEL				
WINDFLEX-27 	3550	24*	120	35

* Full business class seating arrangement
\# Includes 3 x 4-man cabins and Deck Command Centre on main deck
For additional information about our Flex series of high-speed vessels, please visit www.penguin.com.sg/vessel-specs/

CORPORATE **PROFILE**

PENGUIN INTERNATIONAL LIMITED

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

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

Our business is backed by a strong balance sheet and led by an experienced hands-on management team.

We are committed to maintaining a high standard of public accountability, corporate governance and social responsibility.

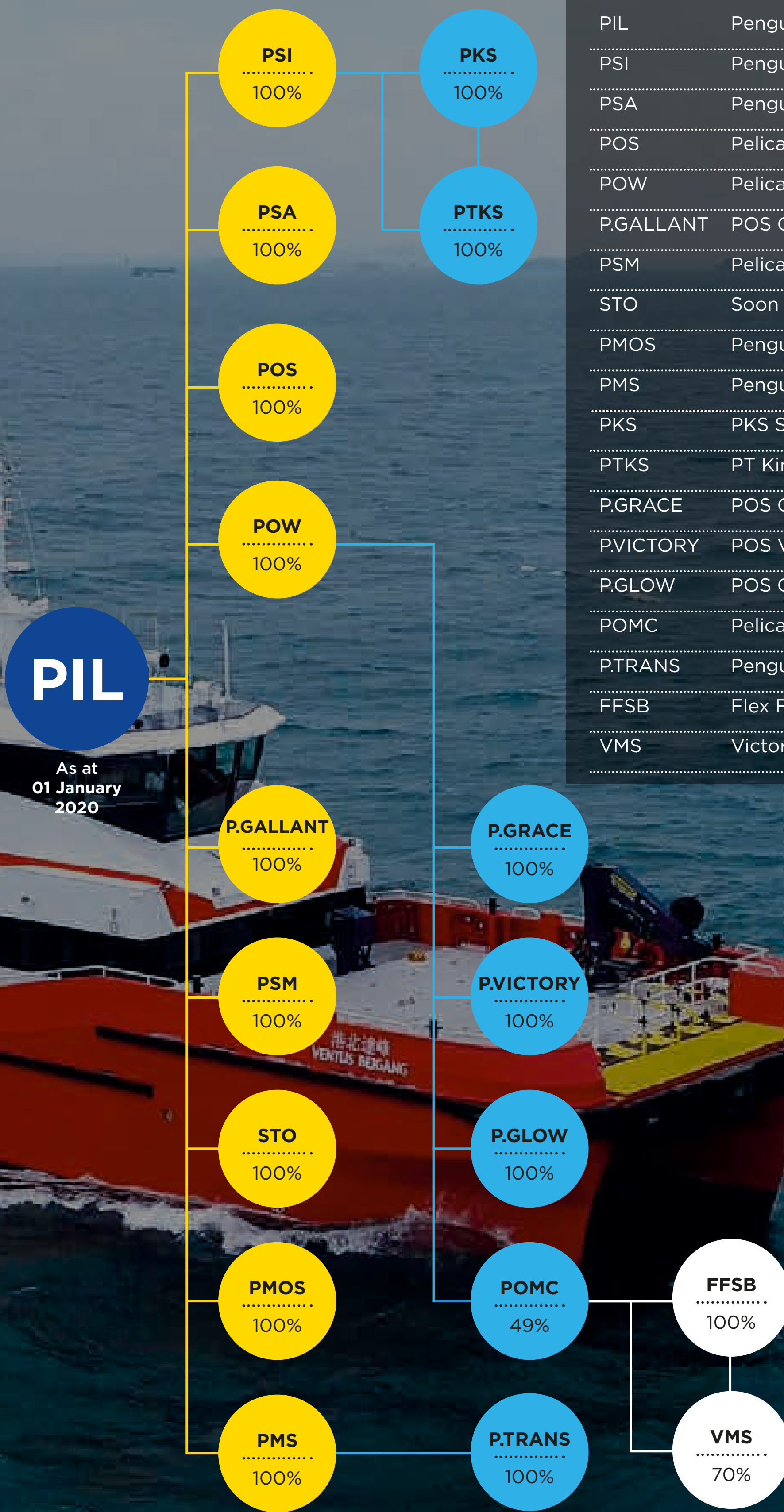
We stand for integrity, professionalism and mutual respect.

Built for charters: Flex-42X Executive Fast Crew Boat

Built for stock: Flex Ferry X

Built to order: 26m Crew Transfer Vessel for offshore wind.

CORPORATE **STRUCTURE**



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

A **JOINT LETTER** FROM **OUR CHAIRMAIN** AND **OUR MANAGING DIRECTOR**

"Life is difficult. This is a great truth, one of the greatest truths. It is a great truth because once we truly see this truth, we transcend it. Once we truly know that life is difficult - once we truly understand and accept it - then life is no longer difficult."

M. Scott Peck
"The Road Less Travelled: A New Psychology of Love, Traditional Values and Spiritual Growth", 1978.

LEFT:
MR. JEFFREY HING YIH PEIR
Executive Chairman

RIGHT:
MR. JAMES THAM TUCK CHOONG
Managing Director

Dear Fellow Shareholders,

BATTLING THE ENEMIES OF SUCCESS

One of the greatest enemies of success is complacency; and complacency finds good company in arrogance.

Many erstwhile great companies have lost their hard-earned fortunes not because of the ravages of external threats, but by simply believing that they can keep living off their past successes indefinitely and behaving as if trials and tribulations were no longer their concern, but the afflictions of other - presumably lesser - companies.

That is why when we described Penguin's condition in our shareholders' letter last year as being in a good place, we were quick to explain that getting to a good place to us merely marked the start of "a new existential phase in a never-ending journey... A good place is where we work harder than we ever did before and face ever greater challenges."

However, in these troubled times, is Penguin still in "a good place"?

Yes we are. That's because compared with our last downturn in 2015-2016, we have successfully diversified our revenue streams across different industries (namely offshore oil and gas, offshore wind, public transport and tourism, maritime security and government projects), while striking a balance between build-for-stock programmes and build-to-order projects.

We have also built up a sustainable crewboat chartering business that complements our shipbuilding business.

In these troubled times, we draw strength from our diversified product range, strong balance sheet and established brand name.

The good thing about troubled times is that they tend to drive away complacency and arrogance. They also tend to diminish the relevance of your past successes.

Thus, we are not going to dwell too much on our FY2019 results in this letter (if you are more interested in our performance review, you may flip to our Operating and Financial Review on page 22).

Instead, we would like to use this letter today to try and explain why we do what we do, and how we view ourselves and our place in this world.

BE THE UNDERDOG: STAY HUMBLE, STAY HUNGRY

The best way to stave off complacency and arrogance is to think and behave like an underdog at all times, regardless of how successful you are.

In Penguin, we take *nothing* for granted. We fight hard to secure and retain every sale, every client, every dollar earned.

In the same spirit, we do not take our competitors for granted either. That is why we are extremely circumspect whenever we make public disclosures.

There are many things that companies do that rightfully ought to remain confidential as trade secrets. Why help our competitors by showing them our production capacity, our individual product's profit margins or our business development strategies?

Because underdogs take nothing for granted, we choose to say less and do more.

Having said that, we do acknowledge that being too terse may result in some shareholders not fully appreciating what we do and who we are. On that front, you will find that our latest annual report contains more information than in previous years.

To be clear, we are choosing to say more this time round largely because we are able to do so, now that our products, markets and clients are more diverse than before.

CASH: RESPECT IT. DON'T FALL IN LOVE WITH IT.

Contrary to what many of you may think, we do not like cash. We simply need it. We don't derive satisfaction from staring at our bank statements. We do

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

not use it to indulge ourselves. We appreciate the importance of frugality, even to the point of being called stingy. That's how much we respect cash.

Given that a significant portion of our revenue and profit comes from the sale of stock vessels, we need to conserve an appropriate level of cash to fund our stock programme, which entails research and development, design and engineering, procurement and construction and – if the market moves against us – holding power.

Borrowing to build stock vessels is a one-way ticket to trouble.

At Penguin, we believe in paying out a fair dividend, while maintaining a conservative buffer against crises and prudently re-investing our retained earnings in our business, which we hope will result in higher profits and higher dividends in the future. And if we ever do turn to our shareholders with a rights issue, it should not be due to a lack of cash to tide over a bad time.

We do not believe in sacrificing future opportunities for present gratification.

FORMING PURE HUMAN CONNECTIONS

Networking is essential for business.

At Penguin, we choose quality over quantity in our networking and we try to build up pure human connections based on shared values. We believe in forming deep meaningful long-term relationships from networking, rather than merely transactional and short-lived ones. We see ourselves as being in a delicate eco-system in which we draw from and contribute to.

This belief is manifested in our relationships with our suppliers and subcontractors. Ours is not a master-servant relationship, which is stereotypical in the shipbuilding industry. It is a symbiotic relationship built on mutual respect and shared values.

Mindful of our place in the local eco-system, we try as much as possible to connect with fellow Singaporean homegrown companies when purchasing equipment and materials. For example, our electrical cables, lighting and aluminium plates are mostly supplied by local companies on globally competitive terms.

Being in a symbiotic long-term relationship formed by pure human connections means that for better or worse, we stand by each other. Together, we build sustainable businesses in our eco-system.

In the same spirit, we are thankful for our board of directors, our employees and you, our shareholder, for standing by us in good times and bad.

TENACITY FOR TOMORROW

In our shareholders' letter last year, we wrote that "a good place is where we are starting to meet world-class standards, recruit world-class employees and serve world-class clients".

Indeed, we need to think more and more like a world-class company, while at the same time preserving our underdog traits. That is the Penguin story. To be continued...

MR. JEFFREY HING
Executive Chairman

MR. JAMES THAM
Managing Director

BOARD OF **DIRECTORS**

MR. JEFFREY HING YIH PEIR
Executive Chairman

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

Mr. Hing is a substantial shareholder in Penguin. Prior to his appointment as Chairman, he served as Non-Executive Director from February 2009. He was last re-elected in April 2017. 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 and was the Executive Chairman and Managing Director of OEL (Holdings) Limited from March 2016 to January 2020.

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

MR. JAMES THAM TUCK CHOONG
Managing Director

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

Prior to joining Penguin, Mr. Tham served in a variety of roles in the offshore oil and gas industry. He previously worked as a Petroleum Correspondent with Upstream, the international oil and gas newspaper; a Business Development Manager with New York-based Seacor Holdings Inc.; and later served as a Corporate Advisor to the group, as well as to several independent petroleum exploration companies in the region. Mr. Tham holds a Bachelor of Science Degree in Journalism and a Bachelor of Business Administration Degree.

BOARD OF **DIRECTORS** (CONT'D)

MS. JOANNA TUNG MAY FONG
Finance and Administration Director

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

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

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

MR. ONG KIAN MIN
Lead Independent Director

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

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

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

MR. PAUL TAN POH LEE
Independent Director

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

He is a Consultant at Keppel Offshore & Marine Ltd with effect from 1 January 2020 and will retire from the Keppel Group on 31 March 2020. He was the Chief Financial Officer of Keppel Offshore & Marine Ltd from 2017 to 2019 and the Group Controller of Keppel Corporation Limited from 2006 to 2018. Mr. Tan also serves as a director on the board of k1 Venture Limited, as Chairman of Keppel Philippines Holdings Inc., a company listed on the Philippine Stock Exchange, Inc. as well as a director of a number of companies in the Keppel Group.

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

MR. LEOW BAN TAT
Independent Director

Mr. Leow was appointed to the Board on 28 April 2015 and last re-elected on 24 April 2018. He is a member of the Audit and Risk and Remuneration Committees and Chairman of the Nominating Committee.

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

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

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

KEY **MANAGEMENT PERSONNEL**

MR. LAW CHWAN YAW
Group Financial Controller
Penguin International Limited

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

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

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

Mr. Chan joined the Penguin Group in October 2016 as Deputy General Manager of Penguin Shipyard International Pte Ltd, and was promoted to General Manager in January 2018.

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

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

MR. JOEL LEE WEI KHAI
Senior Manager,
Shipbuilding and Repair
Penguin Shipyard International Pte Ltd

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

In January 2019, he was promoted to Senior Manager, Shipbuilding and Repair, with responsibility over all newbuilding, repair and conversion projects in our Singapore and Batam shipyards.

Mr. Lee possesses close to 15 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. CEDRIC FONG CHOR HUNG
General Manager
PT Kim Seah Shipyard Indonesia

Mr. Fong joined the Penguin Group in December 2016. He was appointed Senior Manager, Shipyard, of Penguin Shipyard International Pte Ltd in January 2019 and was appointed General Manager of the Group's Batam shipyard, PT Kim Seah Shipyard Indonesia, in January 2018.

Mr. Fong oversees all shipbuilding, repair and conversion activities in PT Kim Seah in Batam.

Mr. Fong possesses close to two decades of experience in the marine industry.

Mr. Fong graduated from Queensland University of Technology with an Honours Degree in Electrical and Computer System Engineering in 2002 and holds a Diploma in Electrical Engineering from Ngee Ann Polytechnic.

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. MARCUS LIM BOON PIN
Deputy General Manager
Pelican Ship Management Services Pte Ltd

Mr. Lim joined the Penguin Group in October 2017 as Deputy General Manager of the Group's ship management arm and crewboat-owning subsidiaries under the Pelican Group.

A Class 1 Marine Engineer with more than a decade of seagoing experience, Mr. Lim is responsible for the safe and efficient operation of the Group's own fleet of high-speed vessels.

Prior to joining the Penguin Group, Mr. Lim has held various managerial positions in the marine and offshore industries.

Mr. Lim graduated from Singapore Polytechnic in 1999 with an Advanced Diploma in Marine Engineering. He went on to obtain a First Class Honours Degree in Mechanical and Aerospace Engineering, majoring in Marine and Offshore Engineering, from Nanyang Technological University in 2007.

CORPORATE MILESTONES

1972

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

1976

Penguin is incorporated as a private limited company.

1995

Penguin builds its first aluminium vessel

1997

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

Penguin delivers first FSIV to Pelican.

2002

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

2006

Flex-36 Series launched.

2012

Flex-38 Series launched.
First Flex Fighter delivered.

2013

50th Flex crewboat delivered.

2014

Flex-40 Series launched.
First Flex Ferry delivered.

2015

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

2016

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

2017

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

2018

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

Contracts secured for the design and construction of offshore windfarm vessels and patrol boats.

2019

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

First windfarm support vessel delivered to a Taiwanese operator.

First Flex Ferry X delivered to a South African owner.

OPERATING AND FINANCIAL **REVIEW**

HIGHLIGHTS
OF FY2019

Promoting chopper swapping: Time charter rates and utilisation rates for crewboats, like Penguin's award-winning Flex-42X (pictured above), rose in FY2019, in line with increased demand from oil companies switching away from helicopters. Generally, benign oil prices bode well for crewboats over choppers.

In FY2019, Penguin posted a net profit after tax of $19.4 million, compared with $13.6 million the previous year. Group revenue over the period rose 27.1% to $136.3 million, while gross profit grew 21.2% to $40.9 million.

Over the same period, shipbuilding, ship repairs and maintenance revenue rose 31.4% to $108.4 million as we broadened our product offering and geographical reach, while chartering revenue grew 12.9% to $27.9 million on the back of higher time charter rates and utilisation rates for our crewboats.

In FY2019, our shipyards in Singapore and Batam delivered 32 new vessels, of which 19 were built for stock and chartering, and 13 were built to order.

As part of our ongoing fleet renewal programme, we sold five old crewboats and ferries from our fleet as we commenced newbuilding projects of our own. As at the end of last year, we had 16 crewboats in our operating fleet.

Our cash, bank balances and fixed deposits rose 40.6% year-on-year to an all-time high of $59.9 million at the end of 2019, while our cash ratio strengthened to 1.0.

FY2019 was also a year of several firsts for Penguin: We delivered our first purpose-built patrol boat, our first offshore windfarm Crew Transfer Vessel (CTV) and our first stock ferry; in February this year, our Flex-42X Executive Fast Crew Boat became the first aluminium boat ever to win Offshore Support Journal's coveted "Support Vessel of the Year" award, beating a field of larger and more sophisticated steel workboats in a popular vote.

Meanwhile, we delivered our 60th Flex to Nigeria.

OUR FIRST PURPOSE-BUILT PATROL BOAT

In FY2019, we delivered seven 20-metre police patrol boats to the Australian state of New South Wales. This project is significant because it was the first time that the government of New South Wales had ever awarded a shipbuilding contract outside of Australia – a decision based on value, expediency and quality. It was also our first purpose-built patrol boat project. The fact that Australia is home to several world-class aluminium shipbuilders gave this contract award an extra shine.

For Australia: Patrol boats for the New South Wales Police

OUR FIRST CTV AND A WORLD-FIRST IN OFFSHORE WIND

While we are no stranger to designing and building crewboats and security boats for the offshore oil and gas industry, we had, up till recently, not built a single CTV for the offshore wind industry.

There are two primary reasons for this: Firstly, we chose to specialise in and hone our resources on crewboats and security boats, to the extent that we were pretty much consumed by it, until recently. Secondly, owners of offshore windfarm CTV's remained elusive to us, even when we attempted to reach out to them in recent years.

However, our patience and persistence paid off when we were awarded a contract in late 2018 to design and build one 26-metre, twin-screw catamaran CTV for a Taiwanese operator.

The insights gained from building our first CTV helped us to actualise our knowledge base and gave us sufficient confidence to start a

Built to order: 26m Crew Transfer Vessel for offshore wind.

OPERATING AND FINANCIAL **REVIEW** (CONT'D)

new stock product line featuring the WindFlex-27 - our very own 27-metre stock CTV with quad engines and quad waterjets.

As with our other stock vessels, the WindFlex-27 is funded solely by our internal cash reserves and not by any borrowings.

Quite apart from being given the opportunity to build our first CTV, we also secured a contract from the same client to build a state-of-the-art prototype 35-metre Service Accommodation and Transfer Vessel (SATV), which we delivered in February 2020.

Unlike regular CTV's that only shuttle personnel from point to point, the SATV is a fully equipped live-aboard vessel that enables windfarm technicians to stay comfortably on board in plush cabins while commuting around the wind turbines without the need for daily port calls.

To further enhance the live-aboard experience, the SATV is equipped with several electronic and mechanical systems that work together to reduce noise and seasickness. This first-to-market vessel is a potential game changer, as it could significantly reduce the need for large and costly steel Service Operation Vessels in the offshore wind industry.

OUR FIRST FLEX FERRY X

Following two years of market research, we launched our first stock ferry last year, the Flex Ferry X, a 250-300 pax double-deck catamaran ferry.

Our first Flex Ferry X was purchased by the government of South Africa to run between Cape Town and Robben Island, where the late Nelson Mandela spent over two decades as a political prisoner.

Unlike our Flex Fighter and WindFlex-27, which are more industry-specific, the Flex Ferry X appeals to a broader and more globalised market for mid-sized passenger ferries deployed for public transportation, tourism and large-scale coastal infrastructure projects.

INVESTING FOR THE FUTURE

As a market leader in aluminium high-speed vessels, we are committed to reducing the carbon footprint of the ships we build.

Travel in style: High-quality plush seating on board the Flex Ferry X

For Singapore: FiFi-1 Marine Rescue Vessel "Red Dolphin"

For Singapore: FiFi-1 Heavy Rescue Vessel "Red Manta"

On that front, we are working with fellow Singaporean homegrown companies, BH Global and Durapower Technology, as well as overseas partners, Danfoss and Bureau Veritas Marine, to jointly design and build Singapore's first plug-in hybrid electric fast launch, which is due for delivery in 1H2020.

We acknowledge that hybrid electric propulsion is a relatively new application in the marine industry and serves only as an interim solution, as governments around the world build up the necessary shore-based infrastructure to support vessels that are powered by wholly alternative or wholly renewable sources of energy. In the meantime, we will continue to work with like-minded partners to stay on the technological frontlines.

KEY BALANCE SHEET HIGHLIGHTS

($'MILLION)

	As at 31 Dec 2019	As at 31 Dec 2018
Total Assets	230.5	206.7
Property, plant and equipment[1]	82.2	86.6
Inventories[2]	42.0	20.6
Cash, bank balances and fixed deposits	59.9	42.6
Total Current Liabilities	**57.9**	**50.6**
Total Liabilities	**62.8**	**54.5**
Total Equity	**167.7**	**152.2**
Cash Ratio	**1.0**	**0.8**

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

First in the world: 35m Service Accommodation and Transfer Vessel

STAYING POSITIVE

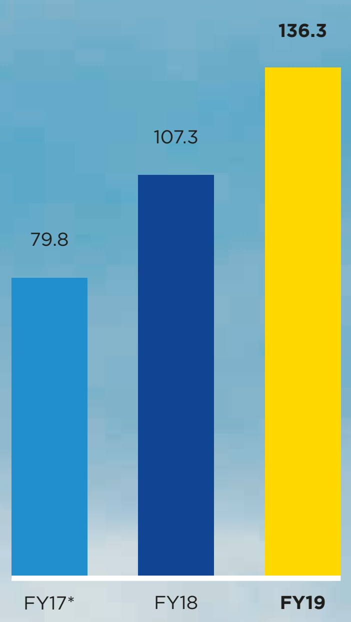
In these troubled times, we remain optimistic as we grow our brand in our key market segments, namely armoured security vessels for maritime protection, crewboats for oil and gas personnel transfers, support vessels for offshore wind and passenger ferries for mass transport.

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

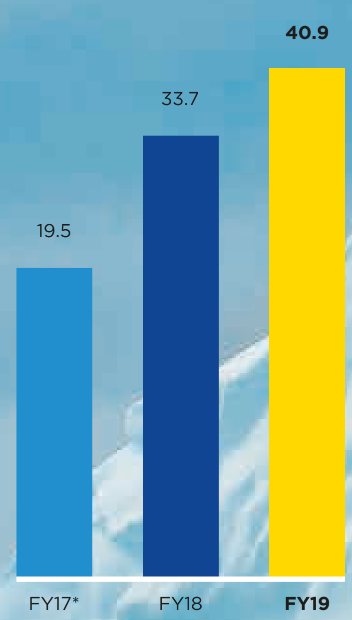
Penguin's Board of Directors has recommended a final dividend of 1.75 cents a share.

KEY FINANCIAL **HIGHLIGHTS** IN FY2019

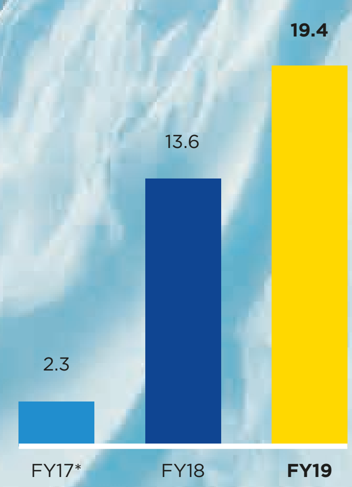
REVENUE
($'m)



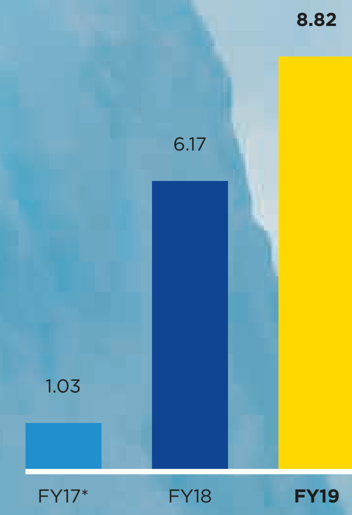
GROSS PROFIT
($'m)



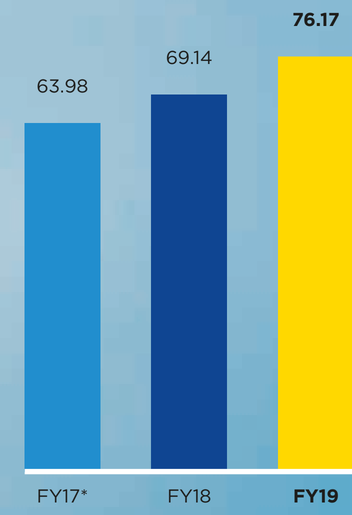
NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS
($'m)



EARNINGS PER SHARE
(SGD cents)



NET ASSET VALUE PER SHARE
(SGD cents)



* For comparison, the results for year ended 31 December 2017 are restated following the adoption of the new financial reporting framework, Singapore Financial Reporting (International) ("SFRS(I)s").

CORPORATE **INFORMATION**

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

COMPANY SECRETARIES
Heng Michelle Fiona
Lo Swee Oi

REGISTERED OFFICE
18 Tuas Basin Link
Singapore 638784

BANKERS
Malayan Banking Berhad
DBS Bank Ltd
Standard Chartered Bank

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

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

CORPORATE GOVERNANCE REPORT

Penguin International Limited (the "Company") is committed to maintaining high corporate governance standards and sound corporate practices within the Company and its subsidiaries (the "Group") to ensure that effective self-regulation practices are in place to enhance corporate performance and accountability. This report outlines the Company's main corporate governance practices with reference to the Principles and Provisions of the Code of Corporate Governance 2018 (the "Code") which forms part of the continuing obligations of the Listing Rules of the Singapore Exchange Securities Trading Limited ("SGX-ST").

The Board is pleased to confirm that for the financial year ended 31 December 2019, 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 oversees the business affairs of the Group, sets strategic directions, approves budgets and reviews the Group's performance. The Board is collectively responsible for the long-term success of the Group. Each Director exercises his independent judgement to act in good faith and in the best interest of the Group for the creation of long-term value for shareholders. The Board works with Management to achieve this objective and Management remains accountable to the Board. Provision 1.1

Each director is required to promptly disclose any conflict or potential conflict of interest, whether direct or indirect, in relation to a transaction or proposed transaction with the Company, as soon as practicable after the relevant facts have come to his knowledge. Where a director has a conflict or potential conflict of interest in relation to any matter, he should immediately declare his interest and recuse himself and refrain from participating in discussions regarding a transaction or proposed transaction in which he has an interest or is conflicted, unless the Board is of the opinion that his presence and participation is necessary to enhance the efficacy of such discussion. Nonetheless, he shall abstain from voting in relation to the conflict-related matters. Provision 1.1

Board Orientation, Training and Updates

The Board ensures that incoming new Directors are given proper guidance and orientation (including on-site visits to the Group's operational facilities) to familiarise them with the Group's business, operations, financial performance and key management staff of the Group as well as corporate governance practices upon their appointment to facilitate the effective discharge of their duties. A formal letter is sent to each new Director, upon his appointment, setting out the Director's statutory duties and obligations. Newly appointed Directors will be encouraged to attend at the Company's expense, courses relating to the Singapore regulatory environment and audit essentials. Provision 1.2 Provision 4.4

Directors have the opportunity to visit the Group's operational sites and to meet Management to gain a better understanding of the Group's business operations. All Directors are also encouraged to constantly keep abreast of developments in regulatory, legal and accounting frameworks that are relevant to the Group through the extension of opportunities for participation in relevant training courses, seminars and workshops where applicable, at the Company's expense. Provision 1.2

Directors also are regularly updated on the business activities of the Group 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 Accounting and Corporate Regulatory Authority which are relevant to the directors are circulated to the Board so that they are kept up-to-date. Provision 1.6

CORPORATE GOVERNANCE REPORT (cont'd)

Principal Duties of the Board

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

a) supervise the overall management of the business and affairs of the Group and approve the Group's corporate and strategic policies and direction;
b) formulate and approve the Group's financial objectives and monitor its performance such as reviewing and approving of results announcements and approving of annual financial statements;
c) approve the Group's annual budgets, major funding proposals, investment/divestment proposals and corporate or financial restructuring;
d) oversee the processes for evaluating the adequacy of internal controls and risk management including the review and approval of interested person transactions;
e) ensure that necessary financial and human capital resources are available for the Group to meet its objectives;
f) review and endorse the framework of remuneration for the Board and key management personnel as recommended by the Remuneration Committee;
g) approve the nominations to the Board of Directors and appointment of key management personnel, as recommended by the Nominating Committee;
h) consider sustainability issues e.g. environmental and social factors, as part of its strategic formulation; and
i) assume responsibility for corporate governance and compliance with the Companies Act, Cap. 50 (the "Act") and the rules and requirements of relevant regulatory bodies.

Matters Requiring Board Approval

The Board has adopted a set of internal guidelines on matters requiring board approval. Matters that are specifically reserved for the approval of the Board include, among others, any material acquisitions and disposals of assets, corporate or financial restructuring, proposing of dividends, annual budgets, significant legal and financial issues, announceable matters, interested person transactions, appointment of directors and key management staff and other matters as may be considered by the Board from time to time. Provision 1.3

Delegation of the Board

The Board has delegated specific responsibilities to three committees namely, the Audit and Risk Committee ("AC"), the Nominating Committee ("NC") and the Remuneration Committee ("RC") to assist in the execution of its responsibilities. Each committee has its own written terms of reference which clearly sets out its objectives, duties, powers and responsibilities and which has been amended to be in line with the Code. Minutes of all Board Committees have been circulated to the Board so that Directors are aware of and are kept updated as to the proceedings and matters discussed during the Committees' meetings. Provision 1.4

Attendance at Board and Committee Meetings

The Board conducts regular scheduled meetings on a quarterly basis. Ad-hoc meetings are convened when circumstances require. The Company's Constitution permits Directors to attend meetings via telephone conference. Between board meetings, important matters concerning the Company are also put to the Board for its decision by way of circulating resolutions in writing for Directors' approval together with supporting memoranda to enable the Directors to make informed decisions. Provision 1.5 Provision 1.6

The attendance of the Directors at meetings of the Board and other Committees during the FY2019 is as follows: Provision 1.5

Meetings of:	Board	Audit and Risk Committee	Nominating Committee	Remuneration Committee
No. of Meetings held:	**4**	**4**	**1**	**1**
Name of Director:	**Attended**	**Attended**	**Attended**	**Attended**
Jeffrey Hing Yih Peir	4	-	1	-
James Tham Tuck Choong	4	-	-	-
Tung May Fong	4	-	-	-
Ong Kian Min	4	4	1	1
Leow Ban Tat	4	4	1	1
Paul Tan Poh Lee	4	4	-	1

CORPORATE GOVERNANCE REPORT (cont'd)

In addition to the above, the Independent Directors had also met with the internal auditors and external auditors without the presence of the Executive Directors or Management at least once in 2019.

Multiple Board Representations

All directors are required to declare their board representations and ensure that sufficient time and attention are given to the affairs of the Group. The NC will review the multiple board representations held by the directors on an annual basis to ensure that sufficient time and attention is given to the affairs of the Group. The NC is also 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. Provision 1.5

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. Provision 1.6

The Directors have separate and independent access to the Company Secretary at all times and they have been provided with the phone numbers and e-mail particulars of the Company Secretary. Each Director has the right to seek independent legal and other professional advice, at the Company's expense, concerning any aspect of the Group's operations or undertakings in order to fulfil her/his duties and responsibilities as a Director. Provision 1.7

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

BOARD COMPOSITION & GUIDANCE

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

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

Executive Directors Rule 1207(10B)
Jeffrey Hing Yih Peir (Executive Chairman)
James Tham Tuck Choong (Managing Director)
Tung May Fong (Finance and Administration Director)

Non-Executive Directors
Ong Kian Min (Lead Independent & Non-executive Director)
Leow Ban Tat (Independent & Non-executive Director)
Paul Tan Poh Lee (Independent & Non-executive Director)

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

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.

CORPORATE GOVERNANCE REPORT (cont'd)

Board Independence

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

Rule 210(5)(d) of the Listing Manual of the SGX-ST also sets out circumstances under which a director will not be independent.

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.

As a director who is associated with a 5% shareholder may be deemed to be non-independent under the Code, the NC noted that in FY2019, Mr Paul Tan was the Chief Financial Officer of Keppel Offshore and Marine Ltd (he stepped down from this position on 31 December 2019) and is a director of a number of companies in the Keppel Group. Keppel Offshore and Marine Ltd is deemed to be interested in the shares owned by KS Investments Pte Ltd, a substantial shareholder of the Company holding 6.24% of the Company's shares. The NC also noted that the Keppel Group and that of their affiliates have no business dealings and are not in direct competition with the Penguin Group of companies.

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

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

The Board also recognises that independent directors may over time develop significant insights in the Group's business and operations and can continue to provide noteworthy and valuable contribution objectively to the Board as a whole. The independence of the independent directors must be based on their substance of their professionalism, integrity and objectivity and not merely based on form such as the number of years which they have served on the Board. Rule 210(5)

As at 31 December 2019, Mr Ong Kian Min has served on the Board for more than 9 years from the date of his first appointment. After due and careful rigorous review, the Board (with Mr Ong abstaining from the review), with the concurrence of the NC, has determined that Mr. Ong is to be considered independent notwithstanding that he has served on the Board beyond 9 years as he has continued to demonstrate strong independence in character and judgement in the discharge of his responsibility as an independent Director of the Company, with utmost commitment in upholding the interest of non-controlling shareholders. He has continued to express his individual viewpoint, debated issues and objectively scrutinised and challenged Management. He has also sought clarification and amplification as and when necessary, including through direct access to Management. Based on his declaration, Mr. Ong does not have relationships or circumstances that are likely to affect or that could affect his judgement that could compromise his independence on board matters.

Taking into account the above and also having weighed the need for Board refreshment against tenure for relative benefit, the Board has resolved that Mr Ong continue to be considered independent director notwithstanding that he has served on the Board for more than 9 years.

CORPORATE GOVERNANCE REPORT (cont'd)

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

Proportion of non-executive independent Directors

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

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

During FY2019, non-executive Directors made up half of the Board, which constitutes a variation from Provision 2.3 of the Code which provides that non-executive Directors make up a majority of the Board. The Company is of the view that the intent of Principle 2 is met, as non-executive independent Directors make up half the Board and the Company also has a Lead Independent Director. In addition, all Board Committees are chaired by Independent Directors. Provision 2.3

In FY2019, the non-executive independent Directors constructively challenged and helped management develop proposals on business strategies for the Company and the Group, taking into consideration the long-term interests of the Group and its stakeholders. The non-executive independent Directors also reviewed the performance of management in achieving agreed goals and objectives for the Company and the Group, and monitored the reporting of performance. The Company is in compliance with Rule 210(5)(c) of the Listing Manual of the SGX-ST, which requires the Board to have at least two non-executive Directors who are independent and free of any material business or financial connection with the Company.

Board Size and Board Diversity

The NC is of the view that the size of the Board and its board committees is appropriate taking into account the nature and scope of the Group's operations, the core competency and broad range of industry knowledge and business experience of the Directors to govern and contribute to the effectiveness and success of the Group. The NC reviews the size of the Board from time to time. Provision 2.4

The Board comprise Directors who as a group provide an appropriate balance and diversity of skills and experience including financial, legal and business management and collectively possess the necessary core competence to lead and govern the Group effectively. Each Director provides a valuable network of industry contacts which are considered essential to the Group and was appointed on the strength of his calibre, experience and stature. Provision 2.4

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 but also of other aspects such as gender and age. The Directors are between the ages of 46 to 66 and the Company has one female Director on the Board. In terms of board independence, there are three non-executive independent Directors out of a total of six Directors, hence the independent Directors represent 50% of the total board membership. Provision 2.4

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

CORPORATE GOVERNANCE REPORT (cont'd)

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. Ong Kian Min, the Lead Independent Director, provides a non-executive perspective and contributes to a balance of viewpoints on the Board. He is the principal liaison on board issues between the Independent Directors and the Executive Directors. Mr. Ong will be available to shareholders with concerns or issues when contact through the normal channels with the Chairman, the Managing Director or the Finance & Administration Director has failed to provide satisfactory resolution or when there is a conflict of interest in such contact. Provision 3.3

BOARD MEMBERSHIP

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

NC Composition and Role

The NC comprises the following three Directors, which includes the Lead Independent Director and the majority of whom, including the NC Chairman, are independent: - Provision 1.4 Provision 4.2 Rule 1207(10B)

Leow Ban Tat (Chairman)
Ong Kian Min
Jeffrey Hing Yih Peir

The NC is guided by written terms of reference approved by the Board and its principal functions are to establish a formal and transparent process on matters relating to and including: Provision 4.1

(a) making recommendations to the Board on relevant matters relating to:

- (i) the review of succession plans for Directors, in particular the appointment and/or replacement of the Chairman, the CEO and key management personnel;
- (ii) the process and criteria for evaluation of the performance of the Board, its Board Committees and Directors;
- (iii) the review of training and professional development programmes for the Board and its Directors;
- (iv) the appointment and re-appointment of Directors (including alternate directors, if any);

(b) determining annually, and as and when circumstances require, if a Director is independent, and providing its views to the Board in relation thereto for the Board's consideration;

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

(d) where a Director or proposed Director has multiple board representations, deciding whether the Director is able to and has been adequately carrying out his duties as a Director taking into consideration the Director's number of listed company board representations and other principal commitments.

CORPORATE GOVERNANCE REPORT (cont'd)

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 4.3

The Directors submit themselves for re-nomination and re-election at regular intervals of at least once every three years. Pursuant to Regulation 92 of the Company's Constitution, one-third of the Directors are to retire from office by rotation and be subject to re-election at the Annual General Meeting ("AGM") of the Company. In addition, Regulation 98 requires a newly appointed director to submit himself for retirement and re-election at the AGM immediately following his appointment. Thereafter, he is subject to retirement by rotation once every three years. Rule 720(5)

Having assessed the contribution and performance of the retiring Directors, the NC has recommended the re-election of Mr Jeffrey Hing Yih Peir and Mr Leow Ban Tat, who will be retiring by rotation at the forthcoming AGM under Regulation 92 of the Company's Constitution. Mr Hing and Mr Leow have offered themselves for re-election and the Board has accepted the recommendations of the NC. Additional information relating to these Directors is set out on pages 124 and 125 of the Annual Report, in accordance with Rule 720(6) of the Listing Manual of the SGX-ST.

Continuous review of Directors' independence

The NC is charged with determining annually, and as and when circumstances require, the independence of each independent Director, having regard to the circumstances set forth in Provision 2.1 of the 2018 Code and Rule 210(5)(d) of the Listing Manual of the SGX-ST. Provision 4.4

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

Directors' time commitments

The NC ensures that new directors are aware of their duties and obligations. The NC also decides if a Director is able to and has been adequately carrying out his or her duties as a director of the Company. As part of the assessment of the performance of each individual Director, there is consideration of whether sufficient time and attention has been given by the Director to the affairs of the Company. The NC is satisfied that all Directors were able to and have adequately carried out their duties as a Director of the Company for FY2019. Provision 4.5

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

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

As at 31 December 2019, there is no alternate director on the Board.

CORPORATE GOVERNANCE REPORT (cont'd)

BOARD PERFORMANCE

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

The NC, has with the approval of the Board, established performance criteria and evaluation procedures for evaluation and assessment of the effectiveness and performance of the Board, the Committees as well as the contribution by the Chairman and for each individual director. The NC evaluates and assesses the effectiveness of the Board taking into consideration appropriate performance criteria and upon its recommendation, the Board makes a formal annual assessment of its effectiveness as a whole, its board committees and each Director. Provision 5.1

Each Director submits an assessment of the Board and the board committees, and a peer assessment of each of the other Directors to assess the contributions by the Chairman and each individual Director to the effectiveness of the Board. These detailed forms assess Directors in various different areas and competencies, including their attendance and contributions at meetings, preparedness for meetings etc. The evaluation of the Board and the board committees focus on a set of performance criteria approved by the Board which includes the size and composition of the Board, Board independence, the Board's access to information and Board's accountability, board committee performance in relation to discharging their responsibilities as set out in their respective terms of reference. The responses are collated by the external Company Secretary and a consolidated report is submitted to the Board. The responses are then discussed by the Board. Provision 5.2

REMUNERATION MATTERS

PROCEDURES FOR DEVELOPING REMUNERATION POLICIES AND LEVEL AND MIX OF REMUNERATION

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

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

Composition and Role

The RC comprises the following three Directors, all of whom are Non-Executive and Independent: - Provision 1.4 Provision 6.2 Rule 1207(10B)

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

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

(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.

CORPORATE GOVERNANCE REPORT (cont'd)

The RC considers all aspects of remuneration, including termination terms, to ensure they are fair. No Director or member of the RC is involved in deciding his or her own remuneration. Provision 6.3

The RC has explicit authority to seek appropriate expert advice in the field of executive compensation outside the Company on remuneration matters when necessary. During the financial year, the RC did not engage the service of an external remuneration consultant. Provision 6.4

Remuneration Framework

The Group adopts a remuneration policy for Executive Directors and key management personnel comprising a fixed component and a variable component. The fixed component is in the form of a base salary. The variable component is in the form of a variable bonus that is linked to the performance of the Group and each individual's performance, which is based on the criteria of the respective key performance indicators allocated to the individual. Staff appraisals are conducted once a year. The key performance indicators include the Company's profitability and other financial and operational indicators as determined by the Board. Provision 7.1

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

Non-Executive Directors are paid Directors' fees, which consist of a basic retainer fee as director and an additional fee for serving on any of the Board Committees. The fees take into consideration the knowledge and expertise of each individual non-executive independent Director, the responsibilities vested upon them and the effort and time commitment required from the non-executive independent Directors given the complexities of the business and the business structure. Provision 7.2

The Board concurred with the RC that the proposed directors' fees for the year ended 31 December 2019 are appropriate and not excessive, taking into consideration the level of contributions by the Directors and factors such as effort and time spent for serving on the Board and Board Committees, as well as the responsibilities and obligations of the directors. The payment is subject to approval of the shareholders at each AGM. No individual Director is involved in deciding his own remuneration.

In performing its function, the RC endeavours to establish an appropriate remuneration policy to attract, retain and motivate key management personnel and Executive Directors, while at the same time ensuring that the reward in each case takes into account, individual performance as well as corporate performance. The corporate and individual performance-related elements of remuneration are designed to align the interests of Executive Directors and key management personnel with those of shareholders and other stakeholders and to promote the long-term success of the Group. Provision 7.3

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

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

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

DISCLOSURE OF REMUNERATION

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

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 FY2019. The Company is of the view that the intent of Principle 8 was met, as the remuneration policies and the procedure for setting remuneration applicable to the Executive Directors are described above, and the level and mix of remuneration is disclosed in the table below. Provision 8.1(a)

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 2019 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 $750,000 and $1,000,000					
James Tham Tuck Choong	-	46	50	4	100
Between $500,000 and $750,000					
Tung May Fong	-	55	45	-	100
Between $250,000 and $500,000					
Jeffrey Hing Yih Peir	-	48	52	-	100
Non-Executive Directors					
Below $100,000					
Ong Kian Min	100	-	-	-	100
Leow Ban Tat	100	-	-	-	100
Paul Tan Poh Lee	100	-	-	-	100

** Directors' Fees are subject to shareholders' approval at the AGM to be held on a date to be determined.*

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 6 key management personnel (who are not directors or the CEO) are disclosed only in bands of S$250,000 as such disclosure is not in the best interest of the Company in light of the competitive business environment that the Group operates in as well as the competitive pressures in the talent market. The Company believes that the remuneration information as disclosed below will be sufficient for shareholders to have an adequate appreciation of the remuneration of the key management personnel and wishes to maintain confidentiality of remuneration in the interest of maintaining good morale and a strong spirit of teamwork within the Group.

The profiles of the top 6 key management personnel are found on pages 18 and 19 of this Annual Report.

Remuneration Band	**No. of Key Management Personnel**
Between $250,000 and $500,000	1
Below $250,000	5

CORPORATE GOVERNANCE REPORT (cont'd)

Mr Jeffrey Hing Yih Peir, who is the Executive Chairman, is a substantial shareholder of the Company. His remuneration is as described above. Provision 8.2

Mr. Tung Tak Wai, who is the brother of Executive Director, Ms. Tung May Fong, is an employee in a non-managerial position in the Company. His remuneration was between S$100,000 and $125,000 for the financial year ended 31 December 2019.

All forms of remuneration and other payments and benefit (if any), paid by the Company and its subsidiaries/ subsidiary companies or subsidiary corporations whose financial statements are consolidated with the Company's financial statements to Directors and key management personnel of the Company are disclosed in the tables above. Provision 8.3

The Company does not have any employee share option scheme. Rule 1207(16)

ACCOUNTABILITY & AUDIT
RISK MANAGEMENT AND INTERNAL CONTROLS

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

The Board determines the nature and extent of the significant risks which the Company is willing to take in achieving its strategic objectives and value creation and the AC assumes the duties and responsibilities of the risk management function to specifically address these issues. With the assistance of an external consultant, the Group has established an Enterprise Risk Management ("ERM") framework to enable the Group to apply a systematic approach to effectively identify, assess, manage, monitor and review the Group's risks, including financial, operational, compliance and information technology controls. To promote risk awareness among employees at all levels, the Group has put in place an ERM policy that elaborates on the ERM framework, process and governance. Provision 9.1

For the financial year under review, assurance has been received from: Provision 9.2

(a) the Managing Director and Finance Director that the financial records have been properly maintained and the financial statements give true and fair view of the Company's operations and finances; and

(b) the Managing Director and other key management personnel who are responsible regarding the adequacy and effectiveness of the Company's risk management and internal control systems.

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 COMMITTEE

Principle 10: The Board has an Audit 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 Provision 10.2 Rule 1207(10B)

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

CORPORATE GOVERNANCE REPORT (cont'd)

AC Composition and Role

The profiles of each AC members are set out on pages 16 and 17 of this Annual Report. The Board is of the view that the members of the AC have recent and relevant accounting or related financial management knowledge, expertise and experience to discharge their responsibilities properly. Provision 10.2

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;

(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.

CORPORATE GOVERNANCE REPORT (cont'd)

Internal Audit

The AC approves the hiring, removal, evaluation and compensation of the internal auditors. The internal audit function is outsourced to Crowe Horwath First Trust Risk Advisory Pte Ltd, an external professional firm. They have been tasked to conduct regular audit of internal control systems of the Group's companies, recommend necessary improvements and enhancements, and report to the AC. The AC reviews and approves the annual internal audit plan. The internal auditor has unrestricted access to documents, records and personnel, including the AC and has appropriate standing within the Company. Provision 10.4

The AC is satisfied that the internal audit function is independent, effective and adequately resourced to perform its function and is staffed by suitably qualified and experienced professionals. Rule 1207(10C)

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

External Auditors

The Company's external auditor is PKF-CAP LLP ("PKF"), an accounting firm registered with the Accounting and Corporate Regulatory Authority of Singapore.

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, to establish if their independence and objectivity had in any way been compromised. PKF did not provide any non-audit services in FY2019. The fees payable to PKF are disclosed on page 83 of this Annual Report.

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 2020. 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.

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 2019

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 FY2019. The AC reviewed and approved the internal audit plan for execution. Provision 1.4

In FY2019, the Group with the assistance of its internal auditors carried out an exercise to review the Group's risk register which identified the key risks facing the Group and the internal controls and risk management systems in place to manage or mitigate those risks. 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.

CORPORATE GOVERNANCE REPORT (cont'd)

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.

<u>Significant financial statement reporting matters</u>

The significant issues considered by the AC in relation to financial statements during the year ended 31 December 2019 are detailed below, alongside the actions taken by the AC to address these issues.

Significant matters considered	How these issues were addressed by the AC
Assessment of impairment of property, plant and equipment	The AC considered the approach and methodology used by management in assessing the fleet of motor launches which was subjected to an impairment test. The AC discussed the above with the external auditors and reviewed the reasonableness of key assumptions and methodologies used by management as well as by the independent valuer, and was satisfied that these were appropriate. The external auditors have included the assessment of impairment of property, plant and equipment as a key audit matter in their report for the year ended 31 December 2019. This is in page 50 of the Annual Report.
Revenue recognition measured based on the input method	The AC considered the approach and methodology applied to the revenue recognition for its shipbuilding contracts which is measured based on the input method to the satisfaction of a performance obligation. The AC discussed the above with the external auditors and reviewed the reasonableness of estimates and methodology used by management, and was satisfied that these were appropriate. The external auditors have included revenue recognition using the percentage-of-completion method as a key audit matter in their report for the year ended 31 December 2019. This is in pages 50 and 51 of the Annual Report.
Assessment of impairment of trade receivables	The AC considered the approach and methodology used by management in assessing the collectability of its trade receivables based on credit loss model to determine if impairment of any of its trade receivables will be required. The AC discussed the above with the external auditors and reviewed the reasonableness of key assumptions and methodologies used by management and was satisfied that these were appropriate. The external auditors have included the assessment of impairment of trade receivables as a key audit matter in their report for the year ended 31 December 2019. This is in page 51 of the Annual Report.

SHAREHOLDERS' RIGHTS AND ENGAGEMENT
SHAREHOLDER RIGHTS, CONDUCT OF SHAREHOLDERS MEETINGS

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

CORPORATE GOVERNANCE REPORT (cont'd)

Conduct of General Meetings and Interaction with Shareholders

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. Provision 11.1

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. In 2019, all the Directors and external auditor attended the annual general meeting of the Company in April 2019 which was the only general meeting held in 2019. Provision 11.1 Provision 11.3

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

Every matter requiring shareholders' approval is proposed as a separate resolution on each substantially separate issue unless the issues are interdependent and linked so as to form one significant proposal. Where resolutions are "bundled" the Company will explain the reasons and material implications in the notice of meeting. Each item of special business included in the notice of meeting is accompanied, where appropriate, by an explanation for the proposed resolution. Proxy forms are sent with the Notice of meeting to all shareholders. Except for a shareholder who is a Relevant Intermediary as defined under Section 181(6) of the Companies Act, a shareholder may appoint up to two proxies to attend and vote on his behalf at the general meeting through proxy forms deposited 72 hours before the meeting. Provision 11.2

As authentication of shareholder identity information is a concern, the Company has decided, for the time being, not to implement voting in absentia by mail, facsimile or email. Provision 11.4

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

The Company prepares detailed minutes of every general meetings, which include substantial comments and questions raised by shareholders, together with the responses from the Board and Management. The Company does not currently publish minutes of general meetings on its corporate website but will review the feasibility of having such arrangements when appropriate. Provision 11.5

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 operation and cash flow, the ability of the Company's subsidiaries to make dividend payments to the Company, the Group's expected working capital requirements, the Group's expected capital expenditure and future expansion and investment plans and other funding requirements, general economic conditions and other internal or external factors that may have an impact on the business or financial performance and position of the Group. Provision 11.6

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.

A final dividend of 1.75 cents per share is recommended for the financial year ended 31 December 2019 in view of the Company's profitability and to thank shareholders for their support of the Company.

CORPORATE GOVERNANCE REPORT (cont'd)

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 quarterly 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. Provision 12.1 Provision 12.2 Provision 12.3

The Company has an Investor Relations Section on its corporate website which 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.

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

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

MANAGING STAKEHOLDERS RELATIONSHIPS
ENGAGEMENT WITH STAKEHOLDERS

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

The Company values input from all of its stakeholder groups and uses a variety of channels and platforms to engage with them as well as receive their feedback. The Company identifies stakeholders as groups that have an impact or have the potential to be impacted by its business, as well as those external organisations that have expertise in aspects that the Company consider material. Provision 13.1

The Company's efforts on sustainability are focussed on creating sustainable value for our key stakeholders, which include communities, customers, staff, regulators, shareholders and vendors. More details will be disclosed in the standalone Sustainability Report for the financial year ended 31 December 2019 which will be issued not later than 5 months after the end of the financial year. Provision 13.2

The Company does not practice selective disclosure of material information. Price sensitive information is always announced to the SGX-ST through SGXNET after trading hours and in a timely manner. Financial results and annual reports are announced or issued to the SGX-ST within the mandatory periods and the annual reports are also made available on the Company's website – www.penguin.com.sg. The Company's website is updated regularly and contains various information on the Company and the Group and serves as an important resource for investors and all stakeholders. Provision 13.3

OTHER CORPORATE GOVERNANCE MATTERS

DEALINGS IN SECURITIES

The Group has put in place an internal compliance code (the "Compliance Code") which prohibits dealings in the securities of the Company by the Company, Directors and employees while in possession of unpublished material price-sensitive information, and during the two weeks immediately preceding, and up to the time of the announcement of the Company's results for each of the first three quarters of its financial year and during the one month preceding, and up to the time of announcement of the company's results for the full financial year. Rule 1207(19)(A) and (C)

CORPORATE GOVERNANCE REPORT (cont'd)

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

Directors and all officers are cautioned to observe insider trading regulations at all times. Rule 1207(19)(B)

MATERIAL CONTRACTS

Save as disclosed below, there were no material contracts of the Company or any of its subsidiaries involving the interest of any Director or controlling shareholder, either still subsisting at the end of the financial year or if not then subsisting, entered into since the end of the previous financial year. Rule 1207(8)

INTERESTED PERSON TRANSACTIONS

The Group has established procedures to ensure that transactions with interested persons are undertaken on an arm's length basis and on normal commercial terms. The AC reviews on a quarterly basis all interested persons transactions including transactions falling under the terms of the Company's general mandate (the "IPT Mandate") authorising the Group to enter into certain interested persons transactions with Jeffrey Hing Yih Peir and his associates to ensure that the prevailing Rules and regulations of the SGX-ST (in particular Chapter 9 of the SGX-ST Listing Manual) are complied with. Interested person transactions which are not within the ambit of the IPT Mandate will be subject to Rules 905 and 906 of the Listing Manual. Rule 1207(17) Rule 1207(18)

The aggregate value of transactions conducted with the following interested persons pursuant to the IPT Mandate was not material (less than $100,000) during the financial year ended 31 December 2019:

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

There were no other significant interested person transactions (excluding transactions less than S$100,000) during the financial year ended 31 December 2019.

OTHER DISCLOSURE REQUIREMENTS

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

CORPORATE SOCIAL RESPONSIBILITY

In the introduction to the 2018 Code, it is stated that companies that embrace the tenets of good governance, including accountability, transparency and sustainability, are more likely to engender investor confidence and achieve long-term sustainable business performance. Details of the Group's sustainability practices, including the corporate social responsibility initiatives during FY2019, are set out in the Company's Sustainability Report which will be issued by 31 May 2020.

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 2019.

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 2019 and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

DIRECTORS

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

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

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

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

DIRECTORS' STATEMENT (cont'd)

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The following Directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings required to be kept under Section 164 of the Singapore Companies Act, Chapter 50, an interest in shares and share options of the Company and related corporations (other than wholly-owned subsidiaries), as stated below:

	Held in the name of Directors			Deemed interest		
Name of Director	**At the beginning of financial year**	**At the end of the financial year**	**At 21 January 2020**	**At the beginning of financial year**	**At the end of the financial year**	**At 21 January 2020**
The Company						
Penguin International Limited (Ordinary shares)						
Jeffrey Hing Yih Peir	–	–	–	43,333,549	43,333,549	43,333,549
James Tham Tuck Choong	666,666	666,666	666,666	–	–	–
Tung May Fong	51,500	51,500	51,500	–	–	–

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

OPTIONS

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

AUDIT COMMITTEE

The Audit Committee carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act, Chapter 50. The functions performed are detailed in the Report on Corporate Governance.

DIRECTORS' STATEMENT (cont'd)

AUDITOR

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

On behalf of the Board of Directors,

James Tham Tuck Choong
Director

Tung May Fong
Director

16 March 2020

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2019

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 2019, the statements of changes in equity of the Group and the Company and the consolidated income statement, consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group, the balance sheet and the statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Singapore Financial Reporting Standards (International) ("SFRS(I)s") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2019 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the year ended on that date.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

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

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2019

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

KEY AUDIT MATTERS (CONT'D)

Assessment of impairment of property, plant and equipment

The carrying amount of the Group's motor launches as at 31 December 2019 amounted to $59 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 2019. We identified this as a key audit matter as the estimation of the recoverable amount involved significant management judgement and estimation.

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

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

- We performed an evaluation of the Group's policies and procedures to identify indicators for potential impairment of motor launches.
- Ensured that management's impairment assessment covered the assets 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.

Revenue recognition measured based on the input method

During the year, the Group's shipbuilding revenue amounting to $31 million is recognised over time using the input method to measure the progress of satisfaction of the performance obligation.

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

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

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

- We have reviewed the shipbuilding contracts recognised over time entered into by the Group in assessing the performance obligations identified by management and the satisfaction of those performance obligations.
- We have re-computed revenue recognised for the current financial year based on the respective progress of the entity in satisfying the performance obligation of the contract and traced these to the accounting records.

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2019

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

KEY AUDIT MATTERS (CONT'D)

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

- We evaluated the appropriateness of management's estimation process for the percentage completed at the reporting date through the following:

  a) We considered the level of competency, expertise and objectivity of the management personnel who performed the assessment;
  b) We assessed the objectiveness of the criteria employed by management in measuring the level of completion of the relevant activities;
  c) We tested the inputs used by management in determining the level of completion of the relevant activities of the shipbuilding contracts recognised over time;
  d) We tested the expected total inputs to the approved budget and subsequent revisions made throughout the project.

- We considered the adequacy of the Group's disclosures in respect of revenue from shipbuilding contracts recognised over time.

Assessment of impairment of trade receivables

The trade receivables of the Group as at 31 December 2019 amounted to $14 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.

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 ratings of the debtors and considered events or indicators which resulted in increase in credit risks of those debtors;
  b) We evaluated the Group's modification of 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 sensitivities to underlying key assumptions.

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.

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2019

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

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.

- 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.

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2019

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)

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

16 March 2020

CONSOLIDATED INCOME STATEMENT

For the financial year ended 31 December 2019

	Note	2019 $'000	2018 $'000
Revenue	4	136,337	107,268
Cost of sales		(95,476)	(73,561)
Gross profit		40,861	33,707
Other income	5	6,084	6,711
Marketing and distribution costs		(284)	(187)
Administrative expenses	6	(19,498)	(17,767)
Other operating expenses	7	(8,039)	(7,917)
Finance costs	8	(144)	(138)
Interest income	8	981	1,088
Profit before tax	10	19,961	15,497
Income tax expense	11	(547)	(1,915)
Profit for the year		19,414	13,582
Attributable to:			
Owners of the Company		19,415	13,583
Non-controlling interests		(1)	(1)
Profit for the year		19,414	13,582
Earnings per share (cents per share)			
- Basic	12	8.82	6.17
- Diluted	12	8.82	6.17

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 2019

	2019 $'000	2018 $'000
Profit for the year	19,414	13,582
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	(524)	1,646
Foreign currency translation	(116)	(44)
	(640)	1,602
Items that will not be reclassified subsequently to profit or loss		
Changes in fair value of equity investment at FVOCI	–	(2,443)
Issue of Management Award Shares as per the investment agreement with respect to Marco Polo Marine Limited	(543)	(400)
	(543)	(2,843)
Other comprehensive loss for the year, net of tax	(1,183)	(1,241)
Total comprehensive income for the year	18,231	12,341
Attributable to:		
Owners of the Company	18,232	12,342
Non-controlling interests	(1)	(1)
Total comprehensive income for the year	18,231	12,341

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

BALANCE SHEETS

As at 31 December 2019

	Note	Group 2019 $'000	Group 2018 $'000	Company 2019 $'000	Company 2018 $'000
Non-current assets					
Property, plant and equipment	13	82,174	86,559	3,027	6,373
Right-of-use assets	27	2,253	–	1,653	–
Investment in subsidiaries	14	–	–	18,390	19,919
Loan to a subsidiary	20	–	–	70,837	70,837
Other investments	15	5,157	5,157	5,157	5,157
Intangible asset	16	78	78	–	–
Other receivables	19	124	8,471	–	–
Current assets					
Inventories	17	42,008	20,608	–	–
Trade receivables	18	13,604	20,200	1,906	9,954
Other receivables and deposits	19	14,004	7,705	487	213
Contract assets	25	3,268	14,812	156	6,504
Prepayments		577	373	150	75
Derivatives		–	163	–	163
Loans to subsidiaries	20	–	–	24,330	12,997
Fixed deposits	21	34,885	31,624	10,227	20,822
Cash and bank balances	21	25,018	10,995	1,098	1,946
		133,364	106,480	38,354	52,674
Assets classified as held for sale	13	7,322	–	1,412	–
		140,686	106,480	39,766	52,674
Current liabilities					
Trade payables	22	16,038	18,085	219	392
Other payables and accruals	23	37,543	23,790	2,982	1,721
Provisions	24	522	196	193	117
Contract liabilities	25	1,042	4,715	93	–
Deferred revenue		–	178	–	178
Provision for income tax		1,427	2,606	335	1,023
Lease liabilities	27	1,292	–	897	–
Term loans	26	83	1,000	–	–
Deposits from subsidiaries	20	–	–	11,724	33,738
		57,947	50,570	16,443	37,169
Net current assets		82,739	55,910	23,323	15,505
Non-current liabilities					
Deferred tax liabilities	29	2,075	2,184	568	676
Provisions	24	1,726	1,693	1,604	1,604
Lease liabilities	27	1,030	–	791	–
Term loans	26	–	83	–	–
Net assets		167,694	152,215	119,424	115,511

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

BALANCE SHEETS (cont'd)

As at 31 December 2019

	Note	Group 2019 $'000	Group 2018 $'000	Company 2019 $'000	Company 2018 $'000
Share capital	30	94,943	94,943	94,943	94,943
Retained earnings		82,833	66,170	27,867	23,411
Other reserves	31	(10,079)	(8,896)	(3,386)	(2,843)
		167,697	152,217	119,424	115,511
Non-controlling interests		(3)	(2)	–	–
Total equity		167,694	152,215	119,424	115,511

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 2019

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

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

STATEMENTS OF CHANGES IN EQUITY (cont'd)

For the financial year ended 31 December 2019

	Attributable to owners of the Company					
	Share capital	Other reserves	Retained earnings	Sub-total	Non-controlling interests	Total equity
	$'000	$'000	$'000	$'000	$'000	$'000
Group						
2018						
Closing balance as at 31 December 2017	94,943	(12,202)	59,076	141,817	(1)	141,816
Adoption of SFRS(I) 1	–	4,644	(4,644)	–	–	–
Adoption of SFRS(I) 15	–	–	(951)	(951)	–	(951)
Effect arising from adoption of SFRS(I) 1	–	(97)	97	–	–	–
Opening balance as restated at 1 January 2018	94,943	(7,655)	53,578	140,866	(1)	140,865
Profit for the year	–	–	13,583	13,583	(1)	13,582
Other comprehensive income						
Net effect of exchange differences arising from quasi capital loan to subsidiaries	–	1,646	–	1,646	–	1,646
Foreign currency translation	–	(44)	–	(44)	–	(44)
Issue of Management Award Shares as per the investment agreement with respect to Marco Polo Marine Limited (Note 15)	–	(400)	–	(400)	–	(400)
Change in fair value of equity investment at FVOCI (Note 15)	–	(2,443)	–	(2,443)	–	(2,443)
Other comprehensive income for the year, net of tax	–	(1,241)	–	(1,241)	–	(1,241)
Total comprehensive income for the year	–	(1,241)	13,583	12,342	(1)	12,341
Contributions by and distributions to owners						
Dividend paid (Note 35)	–	–	(991)	(991)	–	(991)
Total contributions by and distributions to owners	–	–	(991)	(991)	–	(991)
Closing balance at 31 December 2018	94,943	(8,896)	66,170	152,217	(2)	152,215

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 2019

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

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

STATEMENTS OF CHANGES IN EQUITY (cont'd)

For the financial year ended 31 December 2019

	Share capital $'000	Other reserves $'000	Retained earnings $'000	Total equity $'000
Company				
2018				
Closing balance at 31 December 2017	94,943	–	19,359	114,302
Adoption of SFRS(I) 15	–	–	(314)	(314)
Balance as restated at 1 January 2018	94,943	–	19,045	113,988
Profit for the year	–	–	5,357	5,357
Other comprehensive income				
Issue of Management Award Shares as per the investment agreement with respect to Marco Polo Marine Limited (Note 15)	–	(400)	–	(400)
Change in fair value of equity investment at FVOCI (Note 15)	–	(2,443)	–	(2,443)
Total comprehensive income for the year	–	(2,843)	5,357	2,514
Contributions by and distributions to owners				
Dividend paid (Note 35)	–	–	(991)	(991)
Total contributions by and distributions to owners	–	–	(991)	(991)
Closing balance at 31 December 2018	94,943	(2,843)	23,411	115,511

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 2019

	Note	2019 $'000	2018 $'000
Operating activities			
Profit before tax		19,961	15,497
Adjustments for:			
Depreciation of property, plant and equipment and right-of-use assets		10,046	8,888
Gain on disposal of property, plant and equipment and assets classified as held for sale		(4,030)	(5,559)
Interest expense		84	69
Interest income		(981)	(1,088)
Property, plant and equipment written off		9	1
Impairment/(reversal of) impairment on inventories		530	(522)
(Reversal of)/allowance for doubtful trade receivables		(141)	142
Allowance for doubtful other receivables		–	3
Net fair value loss/(gain) on derivatives		163	(189)
Provision for employee retirement benefits		33	7
Provision for warranty claims on shipbuilding contracts, net		483	25
Currency alignment		17	755
Operating cash flows before changes in working capital		26,174	18,029
Inventories		(21,930)	(1,117)
Trade receivables		6,737	(8,306)
Other receivables, deposits and prepayments		1,844	(460)
Contract assets		11,544	(13,800)
Trade payables		(2,047)	9,663
Other payables and accruals		13,210	12,160
Provisions		(157)	(136)
Contract liabilities		(3,673)	(3,686)
Deferred revenue		(178)	25
Cash flows from operations		31,524	12,372
Interest paid		(84)	(69)
Interest received		981	1,088
Income taxes (paid)/refund, net		(1,832)	33
Net cash flows generated from operating activities		30,589	13,424

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 2019

	Note	2019 $'000	2018 $'000
Investing activities			
Investment in quoted shares		–	(8,000)
Proceeds from disposal of property, plant and equipment and assets classified as held for sale		13,700	20,052
Additions to property, plant and equipment		(22,289)	(19,222)
Net cash flows used in investing activities		(8,589)	(7,170)
Financing activities			
Repayment of term loans		(1,000)	(2,250)
Dividend paid		(2,752)	(991)
Payment of principal portion of lease liabilities		(765)	–
Increase in pledged deposits with licensed bank		(1,139)	(472)
Net cash flows used in financing activities		(5,656)	(3,713)
Net increase in cash and cash equivalents		16,344	2,541
Effect of exchange rate changes on cash and cash equivalents		(200)	512
Cash and cash equivalents at 1 January		41,006	37,953
Cash and cash equivalents at 31 December	21	57,150	41,006

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 2019

1. CORPORATE INFORMATION

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

The registered office and principal place of business of the Company is located at 18 Tuas Basin Link, Singapore 638784.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 *Basis of preparation*

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

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

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

The accounting policies adopted are consistent with those of the previous financial year except that in the current financial year, the Group has adopted all the new and amended standards which are relevant to the Group and are effective for annual financial periods beginning on or after 1 January 2019. Except for the adoption of SFRS(I) 16 Leases described below, the adoption of these standards did not have any material effect on the financial performance or position of the Company.

SFRS(I) 16 *Leases*

SFRS(I) 16 requires lessees to recognise most leases on balance sheets. The standard includes two recognition exemptions for lessees – leases of "low value" assets and short-term leases. At commencement date of a lease, a lessee will recognise a liability to make a lease payment (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

The Group adopted SFRS(I) 16 retrospectively using the modified retrospective method. The cumulative effect of initially applying the Standard has no material financial effect with no adjustment made to the opening balance of retained earnings.

On the adoption of SFRS(I) 16, the Group choose on a lease-by-lease basis, to measure the right-of-use asset at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before 1 January 2019.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the financial year ended 31 December 2019

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

2.1 *Basis of preparation (cont'd)*

In addition, the Group elected the following practical expedients:

- Not to reassess whether a contract is, or contains a lease at the date of initial application and to apply SFRS(I) 16 to all contracts that were previously identified as leases
- To apply the exemption not to recognise right-of-use asset and lease liabilities to leases for which the lease term ends within 12 months as of 1 January 2019
- To apply a single discount rate to a portfolio of leases with reasonable similar characteristics

Based on the above, as at 1 January 2019:

Right-of-use assets of $1,190,000 were recognised and presented in the statement of financial position.

Additional lease liabilities of $1,190,000 were recognised and presented in the statement of financial position.

2.2 *Standards issued but not yet effective*

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

Description	**Effective for annual periods beginning on or after**
Amendments to References to the Conceptual Framework in FRS Standards	1 January 2020
Amendments to SFRS(I) 1-1 and SFRS(I) 1-8 Definition of Material	1 January 2020
Amendments to SFRS(I) 10 & 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.

2.3 *Basis of consolidation and business combinations*

(a) ***Basis of consolidation***

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

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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the financial year ended 31 December 2019

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

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

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

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

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

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

- Derecognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost;
- Derecognises the carrying amount of any non-controlling interest;
- Derecognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss;
- Reclassifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

(b) ***Business combinations***

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the financial year ended 31 December 2019

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

2.4 ***Transactions with non-controlling interests***

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

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

2.5 ***Foreign currency***

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

(a) ***Transactions and balances***

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

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

(b) ***Consolidated financial statements***

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

2.6 ***Subsidiaries***

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

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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the financial year ended 31 December 2019

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

2.7 *Goodwill*

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

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

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

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

2.8 *Property, plant and equipment*

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

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

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

Leasehold buildings	6 - 26 years
Motor launches	5 - 20 years
Machinery and equipment	4 - 15 years
Office equipment	3 - 10 years
Motor vehicles	5 years
Deferred drydocking expenditure	4 years

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

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.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the financial year ended 31 December 2019

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

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

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 derecognition of the asset is included in profit or loss in the year the asset is derecognised.

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

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

2.9 *Impairment of non-financial assets*

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

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

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

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

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

2.10 *Financial instruments*

(a) *Financial assets*

Initial recognition and measurement

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

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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the financial year ended 31 December 2019

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

2.10 *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.

Derivatives

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

(ii) *Amortised cost*

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

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

Investments in equity instruments

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

Derecognition

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

(b) ***Financial liabilities***

Initial recognition and measurement

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

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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the financial year ended 31 December 2019

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

2.10 *Financial instruments (cont'd)*

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

Subsequent measurement

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

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

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

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

(ii) *Financial liabilities at amortised cost*

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

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a 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.

2.11 *Derivative financial instruments*

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

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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the financial year ended 31 December 2019

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

2.12 *Impairment of financial assets*

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

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

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

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

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

2.13 *Cash and cash equivalents*

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

2.14 *Inventories*

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the financial year ended 31 December 2019

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

2.15 *Contract Balances*

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

Contract assets

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

Contract liabilities

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

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

2.16 *Borrowing costs*

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

2.17 *Provisions*

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

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

Liquidated damages

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

Foreseeable losses

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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)
For the financial year ended 31 December 2019

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

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

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.

2.18 ***Employee benefits***

(a) ***Defined contribution plans***

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

(b) ***Defined employee retirement benefits***

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

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

Defined benefit costs comprise the following:

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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)
For the financial year ended 31 December 2019

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

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

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

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

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

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

(c) ***Employee leave entitlement***

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

2.19 ***Leases***

These accounting policies are applied on and after the initial application date of SFRS(I) 16, 1 January 2019:

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

As lessee

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

Right-of-use assets

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the financial year ended 31 December 2019

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

2.19 *Leases (cont'd)*

As lessee (cont'd)

Lease liabilities

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

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

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

Short-term leases and leases of low-value assets

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

These accounting policies are applied before the initial application date of SFRS(I) 16, 1 January 2019:

As lessee

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the financial year ended 31 December 2019

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

2.20 *Assets classified as held for sale*

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

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

2.21 *Revenue*

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

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

The Company transfers control over time when:

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

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

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

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

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

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

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

(b) ***Revenue from chartering***

Revenue from chartering is recognised over time.

(c) ***Interest income***

Interest income is recognised using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the financial year ended 31 December 2019

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

2.22 *Taxes*

(a) ***Current income tax***

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

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

(b) ***Deferred tax***

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

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

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

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

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

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

– In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the financial year ended 31 December 2019

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

2.22 *Taxes (cont'd)*

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

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

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

(c) ***Sales tax***

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

– Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

– Receivables and payables that are stated with the amount of sales tax included.

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

2.23 *Segment reporting*

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

2.24 *Contingencies*

A contingent liability is:

(a) A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

(b) A present obligation that arises from past events but is not recognised because:

(i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

(ii) The amount of the obligation cannot be measured with sufficient reliability.

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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the financial year ended 31 December 2019

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

2.25 ***Share capital and share issuance expenses***

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

2.26 ***Government grants***

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

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

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

3.1 ***Key sources of estimation uncertainty***

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of 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 observable market prices less incremental costs of disposing the asset or by reference to recent sales transactions.

The carrying amount of the Group's property, plant and equipment at 31 December 2019 was $82,174,000 (2018: $86,559,000).

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 2019, the Group recorded revenue from shipbuilding contracts using the POC method amounting to $31,282,000 (2018: $43,262,000).

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the financial year ended 31 December 2019

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.

As at 31 December 2019, potential future (undiscounted) cash outflows of approximately $46,800 have not been included in lease liabilities because it is not reasonably certain that the leases will be extended.

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using the applicable incremental borrowing rates at 1 January 2019. The weighted-average rate applied is 4.14%.

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 2019

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.

	2019 $'000	2018 $'000
Chartering	27,920	24,728
Shipbuilding	106,373	81,525
Ship repairs and maintenance	2,044	1,015
	136,337	107,268

Revenue of $75,590,000 (2018: $39,278,000) and $60,747,000 (2018: $67,990,000) 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 $60,205,000 (2018: $37,591,000) and the Group expects to recognise this revenue within the next 10 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	
	2019 $'000	2018 $'000
Gain on disposal of property, plant and equipment and assets classified as held for sale	4,030	5,559
Scrap sales	303	311
Grant received	56	54
Reversal of impairment loss on inventories (Note 17)	–	522
Forfeiture of deposit from shipbuilding contract	942	–
Claim from insurance company	340	–
Others	413	265
	6,084	6,711

NOTES TO THE FINANCIAL STATEMENTS (cont'd)
For the financial year ended 31 December 2019

6. ADMINISTRATIVE EXPENSES

	Group	
	2019 $'000	2018 $'000
Included in administrative expenses are the following:		
Audit fees:		
- Auditor of the Company	(112)	(110)
- Other auditors	(23)	(22)
Depreciation of property, plant and equipment (Note 13)	(2,690)	(2,975)
Depreciation of right-of-use assets (Note 27)	(834)	–
Employee benefits expense (Note 9)	(12,669)	(11,159)
Legal fees	(14)	(38)
Professional fees	(860)	(894)
Property, plant and equipment written off (Note 13)	(9)	(1)
Operating lease expense	(61)	(524)
Water and electricity	(369)	(306)
Transportation	(211)	(195)

7. OTHER OPERATING EXPENSES

	Group	
	2019 $'000	2018 $'000
Included in other operating expenses are the following:		
Depreciation of property, plant and equipment (Note 13)	(5,820)	(5,351)
Net foreign exchange loss	(692)	(1,279)
Impairment loss on inventory (Note 17)	(530)	–
Reversal/(allowance) for doubtful trade receivables (Note 18)	141	(142)
Allowance for doubtful other receivables	–	(3)
Insurance expense	(730)	(625)
Net fair value (loss)/gain on derivatives	(163)	189

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the financial year ended 31 December 2019

8. FINANCE COSTS/INTEREST INCOME

	Group 2019 $'000	Group 2018 $'000
Bank charges	(60)	(69)
Interest expense on term loans	(24)	(69)
Interest expense on lease liabilities	(60)	–
	(144)	(138)
Interest income from short term deposits and bank balances	487	413
Interest income from customers under deferred payment arrangement	494	675
	981	1,088

9. EMPLOYEE BENEFITS EXPENSE

	Group 2019 $'000	Group 2018 $'000
Wages, salaries and bonuses	(16,989)	(14,877)
Central Provident Fund contributions	(2,046)	(1,884)
Other short-term benefits	(1,166)	(1,850)
	(20,201)	(18,611)
Included in profit or loss:		
Administrative expenses (Note 6)	(12,669)	(11,159)
Cost of sales	(6,806)	(7,377)
	(19,475)	(18,536)
Capitalised in balance sheet:		
Inventories	(726)	(75)
	(20,201)	(18,611)

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 2019

10. PROFIT BEFORE TAX

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

	Group 2019 $'000	Group 2018 $'000
Inventories recognised as an expense in cost of sales (Note 17)	(85,509)	(63,767)
Provision for warranty claims, net (Note 24)	(483)	(25)

11. INCOME TAX EXPENSE

Major components of income tax expense

The major components of income tax expense for the years ended 31 December 2019 and 2018 are:

	Group 2019 $'000	Group 2018 $'000
Consolidated income statement:		
Current tax		
- Current year tax expense	(2,045)	(2,608)
- Over provision in respect of previous years	1,389	400
Deferred tax		
- Movement in temporary differences	(53)	374
- Over/(under) provision in respect of previous years	162	(81)
Income tax expense recognised in the consolidated income statement	(547)	(1,915)

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the financial year ended 31 December 2019

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 2019 and 2018 is as follows:

	Group	
	2019	**2018**
	$'000	**$'000**
Profit before taxation	19,961	15,497
Tax expense at the domestic rates applicable to profits in the countries where the Group operates	(3,302)	(1,857)
Tax effect of expenses not deductible	(785)	(661)
Tax effect of income not subject to tax	36	308
Over provision in respect of previous years	1,551	319
Utilisation of deferred tax assets previously not recognised	1,835	77
Deferred tax assets not recognised	(53)	(248)
Enhanced tax deduction	2	3
Effect of partial tax exemption and tax relief	169	144
Income tax expense recognised in the consolidated income statement	(547)	(1,915)

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	
	2019	**2018**
	$'000	**$'000**
Profit for the year attributable to owners of the Company used in the computation of basic and diluted earnings per share	19,415	13,583
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 2019

13. PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold buildings	Motor launches	Machinery and equipment	Office equipment	Motor vehicles	Construction in progress	Deferred drydocking expenditure	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cost								
At 1 January 2018	27,998	86,831	11,711	5,561	533	578	1,426	134,638
Additions	106	8,425	504	282	80	8,349	1,476	19,222
Transfers to inventories	–	(65)	–	–	–	–	–	(65)
Transfer	–	578	–	–	–	(578)	–	–
Disposals	–	(5,726)	–	(5)	(9)	–	(400)	(6,140)
Written off	–	–	(1)	(1)	–	–	–	(2)
Transfers from assets held for sale	–	3,920	–	–	–	–	–	3,920
Net exchange difference	(538)	1,212	(68)	(17)	(3)	2	(73)	515
At 31 December 2018 and 1 January 2019	27,566	95,175	12,146	5,820	601	8,351	2,429	152,088
Additions	335	14,336	2,247	311	–	4,910	150	22,289
Transfer	2,402	8,086	3	4	–	(10,495)	–	–
Disposals	–	(12,930)	(227)	(1)	–	–	(518)	(13,676)
Written off	(7)	–	(1)	(3)	–	–	–	(11)
Transfers to assets held for sale	–	(15,100)	(62)	–	–	–	(975)	(16,137)
Net exchange difference	320	(740)	50	11	2	9	(15)	(363)
At 31 December 2019	30,616	88,827	14,156	6,142	603	2,775	1,071	144,190

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the financial year ended 31 December 2019

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

Group (cont'd)	Leasehold buildings	Motor launches	Machinery and equipment	Office equipment	Motor vehicles	Construction in progress	Deferred drydocking expenditure	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Accumulated depreciation and impairment loss								
At 1 January 2018	12,940	33,966	8,517	4,676	355	–	84	60,538
Charge for the year	2,394	4,916	435	525	56	–	562	8,888
Disposals	–	(3,764)	–	(3)	(9)	–	(400)	(4,176)
Written off	–	–	(1)	–	–	–	–	(1)
Transfers from assets held for sale	–	218	–	–	–	–	–	218
Net exchange difference	(145)	342	(32)	(13)	(2)	–	(88)	62
At 31 December 2018 and 1 January 2019	15,189	35,678	8,919	5,185	400	–	158	65,529
Charge for the year	2,289	5,284	536	338	63	–	702	9,212
Disposals	–	(3,461)	(26)	–	–	–	(322)	(3,809)
Written off	(1)	–	–	(1)	–	–	–	(2)
Transfers to assets held for sale	–	(8,424)	(22)	–	–	–	(369)	(8,815)
Net exchange difference	109	(244)	25	14	2	–	(5)	(99)
At 31 December 2019	17,586	28,833	9,432	5,536	465	–	164	62,016
Net carrying amount								
At 31 December 2018	12,377	59,497	3,227	635	201	8,351	2,271	86,559
At 31 December 2019	13,030	59,994	4,724	606	138	2,775	907	82,174

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the financial year ended 31 December 2019

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

Company	Leasehold buildings	Motor launches	Machinery and equipment	Office equipment	Motor vehicles	Deferred drydocking expenditure	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cost							
At 1 January 2018	14,850	16,235	145	2,699	165	400	34,494
Additions	–	–	52	80	–	–	132
Disposals	–	(5,726)	(17)	(3)	–	(400)	(6,146)
At 31 December 2018 and 1 January 2019	14,850	10,509	180	2,776	165	–	28,480
Additions	43	–	9	147	–	–	199
Disposals	–	(2,777)	(26)	(25)	–	–	(2,828)
Written off	–	–	–	(21)	–	–	(21)
Transfers to assets held for sale	–	(4,090)	(31)	–	–	–	(4,121)
At 31 December 2019	14,893	3,642	132	2,877	165	–	21,709
Accumulated depreciation and impairment loss							
At 1 January 2018	9,121	12,122	77	2,099	29	400	23,848
Charge for the year	1,580	452	11	350	33	–	2,426
Disposals	–	(3,764)	–	(3)	–	(400)	(4,167)
At 31 December 2018 and 1 January 2019	10,701	8,810	88	2,446	62	–	22,107
Charge for the year	1,582	313	13	178	33	–	2,119
Disposals	–	(2,777)	(12)	(25)	–	–	(2,814)
Written off	–	–	–	(21)	–	–	(21)
Transfers to assets held for sale	–	(2,704)	(5)	–	–	–	(2,709)
At 31 December 2019	12,283	3,642	84	2,578	95	–	18,682
Net carrying amount							
At 31 December 2018	4,149	1,699	92	330	103	–	6,373
At 31 December 2019	2,610	–	48	299	70	–	3,027

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the financial year ended 31 December 2019

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

Assets pledged as security

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

	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Motor launches	4,879	5,460	–	–

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 2019.

Assets classified as held for sale

As at 31 December 2019, the Group and the Company were in the midst of finalising the sale arrangement with buyers for the disposal of certain motor launches. Accordingly, the carrying amount of these vessels was classified as assets held for sale.

	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Assets classified as held for sale	7,322	–	1,412	–

Assets under construction

The Group's construction in progress of $2,775,000 (2018: $8,351,000) relates to expenditure for motor launches in the course of construction.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the financial year ended 31 December 2019

14. INVESTMENT IN SUBSIDIARIES

	Company	
	2019	2018
	$'000	$'000
Unquoted equity shares, at cost	32,476	32,476
Impairment losses	(14,086)	(12,557)
Total investment in subsidiaries	18,390	19,919

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

	2019	2018
At beginning of year	12,557	6,941
Allowance for impairment loss	1,529	5,616
At end of year	14,086	12,557

The allowance for impairment loss is due to recoverable amount of the investment was projected below the Company investment, and the management has provided the impairment based on the cost of investment in the subsidiaries exceeds their net tangible asset values.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the financial year ended 31 December 2019

14. INVESTMENT IN SUBSIDIARIES (CONT'D)

Name	Principal activities	Country of incorporation	Ownership interest held by the Company 2019 %	2018 %	Cost of investment 2019 $'000	2018 $'000
Held by the Company						
Penguin Shipyard International Pte Ltd[1]	Builders of Flex crewboats, passenger ferries and launches and provision of related repairs and maintenance services	Singapore	100	100	5,000	5,000
Penguin Shipyard Asia Pte Ltd[1]	Builders of Flex crewboats, passenger ferries and launches	Singapore	100	100	2,000	2,000
Pelican Offshore Services Pte Ltd[1]	Management and operation of Flex crewboats and fast supply intervention vessels	Singapore	100	100	18,435	18,435
POS Gallant Pte Ltd[4]	Dormant	Singapore	100	100	100	100
Pelican Offshore Worldwide Pte Ltd[1]	Investment holding	Singapore	100	100	100	100
Penguin Marine Services Pte Ltd[1]	Provision of project management services	Singapore	100	100	500	500
Pelican Ship Management Servies Pte Ltd[1]	Provision of ship management and maintenance services	Singapore	100	100	1,107	1,107
Soon Tian Oon Pte Ltd[4]	Dormant	Singapore	100	100	231	231
Penguin Marine Offshore Services Pte Ltd[1]	Management and operation of motor launches	Singapore	100	100	5,003	5,003
					32,476	32,476

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the financial year ended 31 December 2019

14. INVESTMENT IN SUBSIDIARIES (CONT'D)

Name	Principal activities	Country of incorporation	Ownership interest held by subsidiaries 2019 %	2018 %
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[1]	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 2019

15. OTHER INVESTMENTS

	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Unquoted equity shares	287	287	287	287
Impairment losses	(287)	(287)	(287)	(287)
	–	–	–	–
Quoted equity shares	5,157	8,000	5,157	8,000
Changes in fair value of equity investment at FVOCI	–	(2,443)	–	(2,443)
Issue of Management Award Shares as per the investment agreement with respect to Marco Polo Marine Limited	–	(400)	–	(400)
	5,157	5,157	5,157	5,157
Total other investments	5,157	5,157	5,157	5,157

The Company has set aside a total of 42,857,142 Management Award Shares for the purposes of the Marco Polo Marine Ltd's management share award plan. In FY2018, the first tranche of 14,285,714 Management Award Shares has been awarded following the signing of service agreements by two key members of Marco Polo Marine Ltd's management.

As at 31 December 2019, the criteria to grant the second and third tranche of Management Award Shares have been met. The provision has been made respectively in Note 23.

16. INTANGIBLE ASSET

	Goodwill
	$'000
Group	
Cost	
At 1 January 2018, 31 December 2018, 1 January 2019 and 31 December 2019	291
Accumulated impairment loss	
At 1 January 2018, 31 December 2018, 1 January 2019 and 31 December 2019	(213)
Net carrying amount	
At 31 December 2018 and 31 December 2019	78

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

No impairment loss for goodwill was required for the financial year ended 31 December 2019.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the financial year ended 31 December 2019

17. INVENTORIES

	Group	
	2019	2018
	$'000	$'000
Balance sheet:		
Parts and spares (at lower of cost or net realisable value)	662	3,413
Work-in-progress (at lower of cost or net realisable value)	41,346	17,195
	42,008	20,608
Income statement:		
Inventories recognised as an expense in cost of sales (Note 10)	85,509	63,767
Reversal of impairment loss on inventories recognised in other income (Note 5)	–	(522)
Impairment loss on inventory recognised in other operating expenses (Note 7)	530	–

The impairment loss on inventory of $530,000 (2018: NIL) pertains to the inventory cost for the vessel which was damaged. The vessel was insured and the Group is in the midst of finalising the insurance claim with the insurer. Insurance claim pertaining to this incident is included in Note 19 Other receivables & deposits.

18. TRADE RECEIVABLES

	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Trade receivables	14,795	21,540	1,906	9,954
Allowance for impairment loss	(1,191)	(1,340)	–	–
	13,604	20,200	1,906	9,954

Trade receivables are generally on 30 days' term and are non-interest bearing, except for an amount of NIL (2018: $1,542,000) included in the Group's trade receivables which pertains to shipbuilding sales under deferred payment arrangement. They are recognised at original invoice amounts which represent their fair values on initial recognition.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the financial year ended 31 December 2019

18. TRADE RECEIVABLES (CONT'D)

Receivables that are past due but not impaired

The Group and Company have trade receivables amounting to $8,212,000 (2018: $11,196,000) and $395,000 (2018: $4,518,000) 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	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Less than 30 days	162	7,602	162	4,504
30 to 60 days	2,454	1,582	–	–
61 to 90 days	1,795	698	232	5
91 to 365 days	3,801	1,314	1	9
	8,212	11,196	395	4,518

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	
	2019	**2018**
	$'000	**$'000**
Trade receivables	1,191	1,340
Less: Allowance for impairment loss	(1,191)	(1,340)
	–	–
Movement in allowance account:		
At 1 January	1,340	1,213
(Credit)/charge to the profit or loss account	(141)	142
Written off	(2)	(25)
Exchange difference	(6)	10
At 31 December	1,191	1,340

Trade receivables that are individually determined to be impaired at the end of the reporting period relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the financial year ended 31 December 2019

19. OTHER RECEIVABLES AND DEPOSITS

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Current:				
Financial assets				
Other receivables	4,660	2,460	39	53
Deposits	558	385	274	142
Insurance claims	695	418	156	2
	5,913	3,263	469	197
Non-financial assets				
Advance payment to suppliers	8,051	4,372	–	–
Deposits	40	16	–	–
Other receivables	–	54	18	16
	8,091	4,442	18	16
Total current other receivables and deposits	14,004	7,705	487	213
Non-current:				
Financial assets				
Other receivables	124	8,471	–	–
Total other receivables and deposits	14,128	16,176	487	213

Included in the Group's current other receivables is an amount of $4,131,000 (2018: $1,601,000) which pertains to sale of vessels (property, plant and equipment) under deferred payment arrangement.

Non-current other receivables pertain to sale of vessel (property, plant and equipment) under deferred payment arrangement. The amount is secured against the vessel, bear interest of 6.30% (2018: ranging from 4.35% to 6.30%) and is repayable through monthly instalments. The arrangement will end in the year 2021 (2018: 2020 to 2021).

20. LOANS TO SUBSIDIARIES / DEPOSITS FROM SUBSIDIARIES

	Company	
	2019	**2018**
	$'000	**$'000**
Loan to a subsidiary (non-current)	70,837	70,837
Loans to subsidiaries (current)	24,330	12,997
Deposits from subsidiaries (current)	(11,724)	(33,738)

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the financial year ended 31 December 2019

20. LOANS TO SUBSIDIARIES / DEPOSITS FROM SUBSIDIARIES (CONT'D)

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 3.24% to 3.39% (2018: 2.50% to 3.16%) per annum, has no repayment terms and is repayable only when the cash flows of the subsidiary permit.

Loans to subsidiaries (current) are unsecured, bear interest of 3.24% to 3.39% (2018: 2.50% to 3.16%) per annum and are repayable on demand. Included in loan to subsidiaries (current) of the Company is $836,000 (2018: NIL) denominated in United States Dollar.

Loans to subsidiaries (current) are stated after deducting an allowance for impairment loss of $33,572,000 (2018: $33,413,000).

	Company	
	2019	**2018**
	$'000	**$'000**
Movement in allowance account:		
At 1 January	33,413	30,657
Charge to the profit or loss account	3,059	5,468
Reversal of over provision in prior years	(2,900)	(2,712)
At 31 December	33,572	33,413

Deposits from subsidiaries are unsecured, bear interest of 1.44% to 2.28% (2018: 1.39% to 1.86%) per annum and are repayable on demand. Included in deposits from subsidiaries of the Company is $8,474,000 (2018: $18,229,000) denominated in United States Dollar.

21. CASH AND BANK BALANCES AND FIXED DEPOSITS

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Cash and bank balances	25,018	10,995	1,098	1,946
Fixed deposits	34,885	31,624	10,227	20,822
	59,903	42,619	11,325	22,768

Cash at banks earns interest at floating rates based on daily bank deposit rates. Fixed deposits are made for varying periods of between 1 week and 6 months (2018: 1 week and 6 months), mostly less than 3 months depending on the immediate cash requirements of the Group and the Company, and earn interest ranging from 0.4% to 2.4% (2018: 1% to 2.4%) per annum.

Bank balances and fixed deposits of $2,753,000 (2018: $1,613,000) are pledged with licensed banks for banking facilities granted to the Group.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the financial year ended 31 December 2019

21. CASH AND BANK BALANCES AND FIXED DEPOSITS (CONT'D)

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

	Group	
	2019	**2018**
	$'000	**$'000**
Cash and bank balances (excluding pledged bank balances)	24,730	10,707
Fixed deposits (excluding pledged bank balances)	32,420	30,299
Cash and cash equivalents	57,150	41,006

22. TRADE PAYABLES

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

23. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Financial liabilities				
Accrued operating expenses	20,902	17,279	2,726	1,496
Advance payments and deposits received (refundable)	–	685	–	4
Advance billings	3	18	–	–
Other payables	2,081	852	256	221
	22,986	18,834	2,982	1,721
Non-financial liabilities				
Advance payments and deposits received (non-refundable)	14,557	4,956	–	–
Total other payables and accruals	37,543	23,790	2,982	1,721

Included in other payables is an amount of $543,000 (2018: NIL) which pertains to issue of Management Award Shares as per the investment agreement with respect to Marco Polo Marine Limited.

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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the financial year ended 31 December 2019

24. PROVISIONS

	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Current:				
Provision for warranty claims	522	196	193	117
Non-current:				
Provision for restoration cost	1,604	1,604	1,604	1,604
Provision for employee retirement benefits	122	89	–	–
	1,726	1,693	1,604	1,604

Provision for warranty claims

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

	Group	
	2019	2018
	$'000	$'000
At 1 January	196	307
Additions during the year	649	214
Reversals during the year	(166)	(189)
Utilisation during the year	(157)	(136)
At 31 December	522	196

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

Provision for restoration cost

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

Provision for employee retirement benefits

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

The following table summarises the components of defined retirement benefits expense recognised in profit or loss and provision for employee retirement benefits recognised in the balance sheets as of 31 December 2019, as determined by an independent actuary.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the financial year ended 31 December 2019

24. PROVISIONS (CONT'D)

Provision for employee retirement benefits (cont'd)

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

	Group	
	2019	2018
	$'000	$'000
Current service cost	31	6
Interest cost	2	1
Total defined retirement benefits expense	33	7
Presented in profit or loss as:		
Cost of sales	33	7

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

	Group	
	2019	2018
	$'000	$'000
Present value of employee benefits obligation	122	89

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

	Group	
	2019	2018
Retirement age	55	55
Discount rate	8%	8%
Mortality rate	TMI 2011	TMI 2011
Method	Projected unit credit	Projected unit credit

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

	Group	
	2019	2018
	$'000	$'000
At 1 January	89	82
Provision made during the year	33	7
At 31 December	122	89

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the financial year ended 31 December 2019

25. CONTRACT BALANCES

	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Contract assets	3,268	14,812	156	6,504
Contract liabilities	(1,042)	(4,715)	(93)	–

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

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

	Group		Company	
	Contract liabilities		Contract liabilities	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Revenue recognised that was included in the contract liability balance at the beginning of the year	4,715	8,401	–	8,401

	Group		Company	
	Contract assets		Contract assets	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Contract asset reclassified to trade receivables	14,812	1,012	6,504	–

26. TERM LOANS

	Group	
	2019	2018
	$'000	$'000
Current:		
Bank loan I	83	1,000
Non-current:		
Bank loan I	–	83
Total bank loan	83	1,083

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the financial year ended 31 December 2019

26. TERM LOANS (CONT'D)

Bank loan I

This loan bears interest of 4.24% to 4.39% (2018: 3.50% to 4.26%) and is repayable through monthly instalments.

The Group's loan from the bank is secured by way of:

(a) first mortgage over motor launch of a subsidiary;

(b) an assignment of charter earning in respect of mortgaged motor launch;

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

(d) corporate guarantee by the Company.

Reconciliation of liabilities arising from financing activities

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

	1 January 2018	Financing cash flows	31 December 2018
	$'000	$'000	$'000
Term loans	3,333	(2,250)	1,083

27. LEASES

Group as a lessee

The Group has lease contracts for land, the 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
	$'000	$'000
At 1 January 2019	1,190	1,032
Additions	1,897	1,151
Depreciation	(834)	(530)
At 31 December 2019	2,253	1,653

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the financial year ended 31 December 2019

27. LEASES (CONT'D)

(b) *Lease liabilities*

Reconciliation of liabilities arising from financing activities

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

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

(c) *Amounts recognised in profit or loss*

	Group 2019 $'000	Company 2019 $'000
Depreciation of right-of-use assets	834	530
Interest expense on lease liabilities (Note 8)	60	41
Lease expense not capitalised in lease liabilities:		
Expense relating to low-value and short-term leases		
- Included in cost of sales	291	-
- Included in administrative expenses	61	-
Total amount recognised in profit or loss	1,246	571

(d) *Total cash outflow*

The Group had total cash outflows for leases of $765,000 in 2019.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the financial year ended 31 December 2019

27. LEASES (CONT'D)

(e) *Reconciling operating lease commitments to lease liabilities*

	Group 2019 $'000	Company 2019 $'000
Operating lease commitments at 31 December 2018 as disclosed under SFRS(I) 1-17 in the Group's consolidated financial statements	1,603	1,052
Discounted using the incremental borrowing rate at 1 January 2019	1,503	979
- Recognition exemption for leases with less than 12 months of lease term at transition	(313)	(10)
- Modification to the lease	-	63
Lease liabilities recognised at 1 January 2019	1,190	1,032

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 2019 $'000	Group 2018 $'000	Company 2019 $'000	Company 2018 $'000
Capital commitments in respect of property, plant and equipment	5,659	591	–	–

(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 2019 $'000	Group 2018 $'000	Company 2019 $'000	Company 2018 $'000
Commitments in respect of shipbuilding costs	32,972	30,987	–	–

NOTES TO THE FINANCIAL STATEMENTS (cont'd)
For the financial year ended 31 December 2019

28. COMMITMENTS (CONT'D)

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

The Group and the Company entered into commercial leases for office premises. These leases have an average life of between 1 and 26 years with no escalation clauses included in the contracts. There are no restrictions placed upon the Group or the Company by entering into these leases.

As at 31 December 2018, the future minimum lease payables under non-cancellable operating leases contracted for but not recognised as liabilities, are as follows:

	Group 2018 $'000	Company 2018 $'000
Future minimum lease payments		
- Not later than 1 year	907	474
- Later than 1 year but not later than 5 years	696	578
	1,603	1,052

(d) ***Continuing financial support***

The Company has undertaken to provide continuing financial support to twelve (2018: fourteen) 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 2019 financial statements. The subsidiaries are Penguin Marine Offshore Services Pte Ltd, Penguin Marine Services Pte Ltd, PKS Shipyard Pte Ltd, Pelican Ship Management Services Pte Ltd, POS Gallant Pte Ltd, Pelican Offshore Worldwide Pte Ltd, Flex Fleet Sdn Bhd, POS Glow Pte Ltd, POS Victory Pte Ltd, Penguin Transporter Pte Ltd, PT Kim Seah Shipyard Indonesia and Victory Marine Services Sdn Bhd.

29. DEFERRED TAX LIABILITIES

	Group				Company	
	Consolidated balance sheet		Consolidated income statement		Balance sheet	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Deferred tax liabilities						
Differences in depreciation	(2,075)	(2,184)	109	294	(568)	(676)

During the year, one subsidiary (2018: three subsidiaries) transferred $2,042,000 (2018: $3,942,000) of its current year tax losses and capital allowances to be deducted against the assessable income of one subsidiary (2018: the Company) 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 $347,000 (2018: $670,000).

NOTES TO THE FINANCIAL STATEMENTS (cont'd)
For the financial year ended 31 December 2019

29. DEFERRED TAX LIABILITIES (CONT'D)

At the balance sheet date, the Group has unutilised tax losses and capital allowances of approximately $18,125,000 (2018: $20,662,000) 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 $18,125,000 (2018: $18,400,000, $73,000 and $1,947,000) which will expire in 2025 (2018: 2025, 2023 and 2022), respectively.

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 (2018: 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 $8,671,000 (2018: $6,480,000).

30. SHARE CAPITAL

	Group and Company			
	2019		2018	
	No. of shares '000	$'000	No. of shares '000	$'000
Ordinary shares				
Issued and fully paid				
Balance at 1 January & 31 December	220,170	94,943	220,170	94,943

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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the financial year ended 31 December 2019

31. OTHER RESERVES

	Group 2019 $'000	Group 2018 $'000	Company 2019 $'000	Company 2018 $'000
Foreign currency translation reserve	(6,693)	(6,053)	–	–
Fair value reserve	(3,386)	(2,843)	(3,386)	(2,843)
	(10,079)	(8,896)	(3,386)	(2,843)

(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 2019 $'000	Group 2018 $'000
At 1 January	(6,053)	(12,202)
Adoption of SFRS(I) 1	–	4,644
Effect arising from adoption of SFRS(I) 1	–	(97)
Opening balance as restated at 1 January	(6,053)	(7,655)
Net effect of exchange differences arising from quasi capital loan to subsidiaries[1]	(524)	1,646
Net effect of exchange differences arising from translation of financial statements of foreign operations	(116)	(44)
At 31 December	(6,693)	(6,053)

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

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

	Group and Company 2019 $'000	Group and Company 2018 $'000
At 1 January	(2,843)	–
Issue of Management Award Shares as per the investment agreement with respect to Marco Polo Marine Limited	(543)	(400)
Change in fair value of equity investment at FVOCI	–	(2,443)
At 31 December	(3,386)	(2,843)

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the financial year ended 31 December 2019

32. RELATED PARTY TRANSACTIONS

(a) ***Sale and purchase of goods and services***

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

	Group Related parties 2019 $'000	Group Related parties 2018 $'000	Company Subsidiaries 2019 $'000	Company Subsidiaries 2018 $'000
Income				
Charter hire fee income	2	–	239	1,004
Commission income	–	–	190	330
Management fee income	–	–	2,270	2,390
Interest income	–	–	3,089	2,655
Rental income	1	1	1,921	1,550
Sale of inventory	–	–	3	20
Dividend income	–	–	7,900	9,000
Wharfage charges	5	–	–	–
Expense				
Ship building costs	–	–	(3,049)	(24,735)
Project management cost	–	–	(2,120)	(6,475)
Interest expense	–	–	(430)	(636)
Ship management expense	–	–	(255)	(54)
Ship repair cost	–	(9)	(551)	(183)
Charter hire expense	–	–	(232)	(91)
Vessel maintenance cost	–	–	(1,449)	–
Others				
Disposal of property, plant and equipment	–	–	–	1

NOTES TO THE FINANCIAL STATEMENTS (cont'd)
For the financial year ended 31 December 2019

32. RELATED PARTY TRANSACTIONS (CONT'D)

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

	Company 2019 $'000	Company 2018 $'000
Short-term employee benefits expense	3,121	2,498
Central Provident Fund contributions	150	130
	3,271	2,628
Comprise amounts paid to:		
Directors of the Company	1,985	1,576
Other key management personnel	1,286	1,052
	3,271	2,628

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

33. GUARANTEES

(a) The Group and Company had outstanding bank guarantees amounting to approximately $8,300,000 (2018: $3,608,000) and $985,000 (2018: $442,500) respectively, in respect of the performance of shipbuilding contracts (2018: charter-hire and shipbuilding contracts).

(b) The Company has provided corporate guarantees amounting to $9,912,000 (2018: $9,912,000) to banks in respect of loan and other banking facilities undertaken by subsidiaries of which the outstanding balances at the end of the reporting period amounted to $83,000 (2018: $1,083,000).

NOTES TO THE FINANCIAL STATEMENTS (cont'd)
For the financial year ended 31 December 2019

34. SEGMENT INFORMATION

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

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

(b) The shipbuilding and ship repairs and maintenance segment act as a builder of high speed aluminium commercial vessels and contractor for ship repairs and maintenance services.

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

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

	Chartering		Shipbuilding, ship repairs and maintenance		Adjustments and eliminations		Notes	Total	
	2019 $'000	2018 $'000 Reclassification	2019 $'000	2018 $'000 Reclassification	2019 $'000	2018 $'000 Reclassification		2019 $'000	2018 $'000
Revenue:									
Sales to external customers	27,920	24,728	108,417	82,540	–	–		136,337	107,268
Inter-segment sales	326	84	26,700	15,429	(27,026)	(15,513)	A	–	–
Total revenue	28,246	24,812	135,117	97,969	(27,026)	(15,513)		136,337	107,268
Results:									
Interest income	424	569	781	932	(224)	(413)	B	981	1,088
Dividend income	6,000	4,000	–	–	(6,000)	(4,000)		–	–
Depreciation	(8,007)	(7,009)	(1,649)	(1,436)	(390)	(443)	B	(10,046)	(8,888)
Impairment on property, plant and equipment and inventory	–	–	(530)	–	–	–		(530)	–
Reversal of impairment on property, plant and equipment and inventory	–	–	–	522	–	–		–	522
Financial expenses	(311)	(502)	(57)	(49)	224	413	B	(144)	(138)
Other non-cash expenses	(141)	(144)	(1,830)	(3,305)	1,839	3,304		(132)	(145)
Segment profit before tax	13,942	7,589	13,240	5,278	(7,221)	2,630	C	19,961	15,497

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the financial year ended 31 December 2019

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 2019 and 2018:

	Chartering		Shipbuilding, ship repairs and maintenance		Discontinued operation		Adjustments and eliminations		Notes	Total	
	2019	2018	2019	2018	2019	2018	2019	2018		2019	2018
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000		$'000	$'000
		Reclassification		Reclassification		Reclassification		Reclassification			
Assets and liabilities:											
Additions to non-current assets	28,746	20,191	4,190	874	–	–	(10,647)	(1,843)	D	22,289	19,222
Goodwill	–	–	78	78	–	–	–	–		78	78
Segment assets	127,935	135,058	118,375	75,696	367	367	(16,205)	(4,376)	E	230,472	206,745
Segment liabilities	16,618	14,999	50,816	43,722	–	–	(4,656)	(4,191)	F	62,778	54,530

Certain reclassification have been made to the prior year's segment information to enhance comparability with the current year's segment information. The items reclassified are mainly for inter-segment transactions and classification of inter-segment assets/liabilities.

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:

	2019	2018
	$'000	$'000
From inter-segment transactions	(5,635)	4,241
Unallocated expenses	(1,586)	(1,611)
	(7,221)	2,630

The unallocated expenses pertain mainly to depreciation of leasehold building.

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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the financial year ended 31 December 2019

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:

	2019	2018
	$'000	$'000
Inter-segment assets	(18,815)	(8,525)
Unallocated assets	2,610	4,149
	(16,205)	(4,376)

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:

	2019	2018
	$'000	$'000
Inter-segment liabilities	(6,828)	(6,471)
Deferred tax liabilities	568	677
Provision for restoration cost	1,604	1,603
	(4,656)	(4,191)

Geographical information

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

	Chartering		Shipbuilding, ship repairs and maintenance		Total	
	2019	2018	2019	2018	2019	2018
	$'000	$'000	$'000	$'000	$'000	$'000
Singapore	4,395	8,755	17,918	28,363	22,313	37,118
Rest of Southeast Asia	23,525	15,480	75	110	23,600	15,590
Africa	–	–	76,914	48,286	76,914	48,286
Taiwan	–	–	782	–	782	–
Others	–	493	12,728	5,781	12,728	6,274
	27,920	24,728	108,417	82,540	136,337	107,268

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 (2018: three) major customers amounted to $63,727,000 (2018: $51,794,000), arising from chartering and shipbuilding, ship repairs and maintenance (2018: chartering and shipbuilding, ship repair and maintenance) segments.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the financial year ended 31 December 2019

35. DIVIDENDS

Paid during the financial year

Dividends on ordinary shares:

	Group and Company 2019 $'000	Group and Company 2018 $'000
- Final exempt (one-tier) dividend for 2018: 1.25 cents per share (2017: 0.45 cents) per share	2,752	991

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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the financial year ended 31 December 2019

36. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

	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
Group					
2019					
Assets					
Other investments	–	–	5,157	–	5,157
Trade receivables	13,604	–	–	–	13,604
Other receivables and deposits	6,037	–	–	–	6,037
Contract assets	3,268	–	–	–	3,268
Fixed deposits	34,885	–	–	–	34,885
Cash and bank balances	25,018	–	–	–	25,018
	82,812	–	5,157	–	87,969
Liabilities					
Trade payables	–	–	–	16,038	16,038
Other payables and accruals	–	–	–	22,986	22,986
Term loans	–	–	–	83	83
Lease liabilities	–	–	–	2,322	2,322
	–	–	–	41,429	41,429
2018					
Assets					
Other investments	–	–	5,157	–	5,157
Trade receivables	20,200	–	–	–	20,200
Other receivables and deposits	11,734	–	–	–	11,734
Contract assets	14,812	–	–	–	14,812
Derivatives	–	163	–	–	163
Fixed deposits	31,624	–	–	–	31,624
Cash and bank balances	10,995	–	–	–	10,995
	89,365	163	5,157	–	94,685
Liabilities					
Trade payables	–	–	–	18,085	18,085
Other payables and accruals	–	–	–	18,834	18,834
Term loans	–	–	–	1,083	1,083
	–	–	–	38,002	38,002

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the financial year ended 31 December 2019

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

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

	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
Company					
2019					
Assets					
Other investments	–	–	5,157	–	5,157
Trade receivables	1,906	–	–	–	1,906
Other receivables and deposits	469	–	–	–	469
Loans to subsidiaries	95,167	–	–	–	95,167
Fixed deposits	10,227	–	–	–	10,227
Cash and bank balances	1,098	–	–	–	1,098
	108,867	–	5,157	–	114,024
Liabilities					
Trade payables	–	–	–	219	219
Other payables and accruals	–	–	–	2,982	2,982
Deposits from subsidiaries	–	–	–	11,724	11,724
Lease liabilities	–	–	–	1,688	1,688
	–	–	–	16,613	16,613
2018					
Assets					
Other investments	–	–	5,157	–	5,157
Trade receivables	9,954	–	–	–	9,954
Other receivables and deposits	197	–	–	–	197
Loans to subsidiaries	83,834	–	–	–	83,834
Derivatives	–	163	–	–	163
Fixed deposits	20,822	–	–	–	20,822
Cash and bank balances	1,946	–	–	–	1,946
	116,753	163	5,157	–	122,073
Liabilities					
Trade payables	–	–	–	392	392
Other payables and accruals	–	–	–	1,721	1,721
Deposits from subsidiaries	–	–	–	33,738	33,738
	–	–	–	35,851	35,851

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the financial year ended 31 December 2019

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 2019, the Group has investment in quoted equity security representing Level 1 financial asset which is carried at fair value amount of $5,157,000 (2018: $5,157,000). The quoted equity security is listed on the SGX-ST in Singapore.

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

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

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 2019

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 due from customer for contract work-in-progress 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			
	2019		2018	
	$'000	%	$'000	%
By country:				
Singapore	2,586	14	12,700	41
Malaysia	11,300	61	8,644	28
Rest of Southeast Asia	3,229	18	8,258	27
Others	1,273	7	1,529	4
	18,388	100	31,131	100
By industry sectors:				
Chartering	15,994	87	17,549	56
Shipbuilding, repairs and maintenance	2,394	13	13,582	44
	18,388	100	31,131	100

At the end of the reporting period:

- Approximately 84% (2018: 81%) of the Group's trade receivables were due from three (2018: three) major customers consisting of multi-industry conglomerates located in various countries.

- Approximately 98% (2018: 99%) of the Company's trade receivables were due from two (2018: three) 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.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the financial year ended 31 December 2019

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

(b) ***Liquidity risk***

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

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

	Within 1 year $'000	1 to 5 years $'000	Over 5 years $'000	Total $'000
Group				
2019				
Financial liabilities				
Trade payables	16,038	–	–	16,038
Other payables and accruals	22,986	–	–	22,986
Term loans	84	–	–	84
Lease liabilities	1,417	1,067	–	2,484
Total undiscounted financial liabilities	40,525	1,067	–	41,592
2018				
Financial liabilities				
Trade payables	18,085	–	–	18,085
Other payables and accruals	18,834	–	–	18,834
Term loans	1,024	84	–	1,108
Total undiscounted financial liabilities	37,943	84	–	38,027
Company				
2019				
Financial liabilities				
Trade payables	219	–	–	219
Other payables and accruals	2,982	–	–	2,982
Deposits from subsidiaries	11,942	–	–	11,942
Lease liabilities	951	807	–	1,758
Total undiscounted financial liabilities	16,094	807	–	16,901
2018				
Financial liabilities				
Trade payables	392	–	–	392
Other payables and accruals	1,721	–	–	1,721
Deposits from subsidiaries	34,286	–	–	34,286
Total undiscounted financial liabilities	36,399	–	–	36,399

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the financial year ended 31 December 2019

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

(c) ***Foreign currency risk***

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

The Group and the Company also hold cash and cash equivalents denominated in foreign currencies for working capital purposes. At the end of the reporting period, such foreign currency balances amounted to $44,459,000 (2018: $25,324,000) and $7,195,000 (2018: $9,760,000) for the Group and the Company respectively.

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

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

Sensitivity analysis for foreign currency risk

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

	Increase/ (decrease) in profit before tax 2019 $'000	Increase/ (decrease) in profit before tax 2018 $'000
USD/SGD – strengthened 3% (2018: 3%)	143	700
USD/SGD – weakened 3% (2018: 3%)	(143)	(700)
AUD/SGD – strengthened 3% (2018: 3%)	352	103
AUD/SGD – weakened 3% (2018: 3%)	(352)	(103)

(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 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 $258,000 higher/lower, arising as a result of an increase/decrease in the fair value of equity securities classified as other investments.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the financial year ended 31 December 2019

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 2019 and 31 December 2018.

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

39. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the year ended 31 December 2019 were authorised for issue in accordance with a resolution of the Directors on 16 March 2020.

STATISTICS OF SHAREHOLDINGS

As at 25 MARCH 2020

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	279	4.48	14,057	0.01
100 - 1,000	2,612	41.96	1,257,700	0.57
1,001 - 10,000	2,109	33.88	10,512,480	4.77
10,001 - 1,000,000	1,203	19.33	61,265,641	27.83
1,000,001 AND ABOVE	22	0.35	147,119,896	66.82
TOTAL	**6,225**	**100.00**	**220,169,774**	**100.00**

TWENTY LARGEST SHAREHOLDERS

No.	Name	No. of Shares	%
1	Phillip Securities Pte Ltd	48,522,339	22.04
2	DBS Nominees (Private) Limited	14,061,467	6.39
3	KS Investments Pte Ltd	13,744,583	6.24
4	HSBC (Singapore) Nominees Pte Ltd	10,766,866	4.89
5	Raffles Nominees (Pte.) Limited	10,614,604	4.82
6	Citibank Nominees Singapore Pte Ltd	8,284,725	3.76
7	CGS-CIMB Securities (Singapore) Pte. Ltd.	6,702,872	3.04
8	UOB Kay Hian Private Limited	6,586,898	2.99
9	OCBC Securities Private Limited	4,058,093	1.84
10	Frederick Huang Tong Leong	3,444,333	1.56
11	Ng Kok Wah	2,941,600	1.34
12	Chan Soo Hin	2,471,666	1.12
13	Pang Cheow Jow	2,436,666	1.11
14	United Overseas Bank Nominees (Private) Limited	2,140,614	0.97
15	Maybank Kim Eng Securities Pte. Ltd.	1,742,679	0.79
16	Ng Kwong Chong Or Liu Oi Fui Ivy	1,336,666	0.61
17	Ong Shyh Chang	1,333,333	0.61
18	Zen Property Management Pte Ltd	1,273,333	0.58
19	DBSN Services Pte. Ltd.	1,210,399	0.55
20	Soh Suwe @ Soh Kim Swee	1,201,000	0.55
	Total	**144,874,736**	**65.80**

PERCENTAGE OF SHAREHOLDINGS HELD BY THE PUBLIC AS AT 25 MARCH 2020

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 72.18%. Accordingly, the Company complies with Rule 723 of the Listing Manual.

STATISTICS OF SUBSTANTIAL SHAREHOLDERS

As at 25 MARCH 2020

Name of Substantial Shareholder	Direct Interest No. of Shares	Direct Interest %	Deemed Interest No. of Shares	Deemed Interest %
Jeffrey Hing Yih Peir (note 1)	-	-	46,792,849	21.25
KS Investments Pte Ltd	13,744,583	6.24	-	-
Keppel Offshore & Marine Ltd (note 2)	-	-	13,744,583	6.24
Keppel Corporation Limited (note 2)	-	-	13,744,583	6.24
Temasek Holdings (Pte) Ltd (note 2)	-	-	13,744,583	6.24

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

Shares held by Phillip Securities Pte Ltd for Mr Jeffrey Hing Yih Peir	43,459,516
Shares held by Citibank Nominees Singapore Pte Ltd for Mdm Wong Bei Keen (spouse of Jeffrey Hing Yih Peir)	3,333,333
	46,792,849

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

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Mr **Jeffrey Hing Yih Peir** and Mr **Leow Ban Tat** are the Directors seeking re-election at the annual general meeting of the Company to be held on a date to be determined ("**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 is set out below:

Name of Director	**Jeffrey Hing Yih Peir**	**Leow Ban Tat**
Date of appointment	2 February 2009	28 April 2015
Date of last re-appointment (if applicable)	27 April 2017	24 April 2018
Age	64	62
Country of principal residence	Singapore	Singapore
The Board's comments on this re-appointment (including rationale, selection criteria, 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 and expertise, work experience and suitability of Mr Jeffrey Hing Yih Peir for re-election as the Executive Chairman of the Company. The Board has accepted the NC's recommendation and concluded that Mr Hing possesses the experience, expertise and knowledge to contribute towards the core competencies of the Board as he is an experienced entrepreneur in the marine and offshore industry with an in-depth institutional knowledge of the Group's operations. His leadership will continue to enhance Board deliberations and set the direction for the Group.	The Board has considered, among others, the recommendation of the NC and has reviewed and considered the performance, contributions, qualifications, expertise, work experience and suitability of Mr Leow Ban Tat for re-election as an Independent Director. The Board has accepted the NC's recommendation and concluded that Mr Leow possesses the experience, expertise, knowledge and skills to contribute towards the core competencies of the Board.
Whether Board appointment is executive, and if so, the area of responsibility	Executive Chairman - responsible for the development and strategic direction of Penguin, managing the quality, quantity and timeliness of the information flow between Management and the Board, as well as ensuring compliance with Penguin's guidelines on corporate governance.	Non-Executive
Job Title (e.g. Lead ID, AC Chairman, AC Member)	Executive Chairman Member of Nominating Committee	Independent Director, Chairman of Nominating Committee, Member of Audit and Risk Committee, and Member of Remuneration Committee
Academic / professional qualifications	Associate member - Chartered Institute of Management Accountants	Master's Degree in Business Administration from Monash University, Australia
Working experience and occupation(s) during the past 10 years	Managing Director - Trinity Offshore Pte Ltd and Agensea Pte Ltd (June 1991 to present) Executive Chairman – Penguin International Limited (April 2011 to present)	Managing Director - AME2 Pte. Ltd. (2013 to present) Executive Director - PaxOcean Marine Offshore (2012 to 2013) Executive Director – PaxOcean Engineering Zhoushan Co., Ltd (2009 to 2012) Founder and CEO – Aquaculture Centre of Excellence Pte Ltd Founder and CEO – Nature Resources Aquaculture Pte Ltd

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION (cont'd)

Name of Director	**Jeffrey Hing Yih Peir**	**Leow Ban Tat**
Shareholding interest in the listed issuer and its subsidiaries	Deemed interest: 46,792,849 shares*	Nil
Any relationship (including immediate family relationships) with any existing director/existing executive officer of the Company or any of its principal subsidiaries and/or substantial shareholder	No	No
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 5 years	OEL (Holdings) Limited Yahweh China Pte. Ltd.	-
Present:	Directorships: Penguin International Limited Trinity Offshore Pte Ltd Agensea Pte Ltd Infinity Oil Ltd Trinity Group Private Limited Singapore Christian Foundation Ltd PT Trinity Offshore Indonesia Team Engineering and Marine Pte. Ltd. PT Trinity Offshore Services Asia Pacific Mission Ltd Marine Designs (2002) Pte Ltd Blessed Grace Social Services Ltd Marco Polo Marine Ltd	Directorships: AME2 Pte. Ltd. IE Solutions Pte. Ltd Lift – Dock Pte. Ltd. NVS (Singapore) Pte. Ltd. Grant Resources Pte. Ltd. Nature Resources Aquaculture Pte Ltd Aquaculture Centre of Excellence Pte Ltd Offshore Dynamics Solutions Pte Ltd
Mr Jeffrey Hing Yih Peir and Mr Leow Ban Tat have individually confirmed that on each of the questions as set out in paragraphs (a) to (k) of Appendix 7.4.1 of the Listing Manual of the SGX-ST, the answer is "no".		
Disclosure applicable to the appointment of Director only		
Any prior experience as a director of an issuer listed on the Exchange? (Yes/No) If yes, please provide details of prior experience.	N.A.	N.A.
If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange.	N.A.	N.A.
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.

* as at 25 March 2020

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