

PENGUIN INTERNATIONAL LIMITED

Condensed interim financial statements
for the second half and year ended 31 December
2021

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A. CONDENSED INTERIM CONSOLIDATED INCOME
STATEMENT FOR THE SECOND HALF AND YEAR ENDED 31
DECEMBER 2021

	Note	Group		+ / (-) %	Group		+ / (-) %
		6 months ended 31 December 2021 \$'000	6 months ended 31 December 2020 \$'000		12 months ended 31 December 2021 \$'000	12 months ended 31 December 2020 \$'000	
Revenue		90,542	69,280	30.7	132,649	119,417	11.1
Cost of sale		(65,763)	(48,416)	35.8	(95,470)	(85,919)	11.1
Gross profit		24,779	20,864	18.8	37,179	33,498	11.0
Other income	6.1	3,801	4,207	(9.7)	7,311	10,043	(27.2)
Marketing and distribution costs		(157)	(20)	685.0	(239)	(195)	22.6
Administrative expenses		(9,819)	(10,712)	(8.3)	(20,728)	(20,960)	(1.1)
Other operating expenses		(4,512)	(3,296)	36.9	(8,346)	(6,847)	21.9
Impairment loss on trade receivable		(1)	(321)	(99.7)	(240)	(321)	(25.2)
Results from operating activities		14,091	10,722	31.4	14,937	15,218	(1.8)
Finance costs		(321)	(189)	69.8	(501)	(263)	90.5
Finance income		249	218	14.2	476	409	16.4
Profit before tax	6	14,019	10,751	30.4	14,912	15,364	(2.9)
Income tax expense	7	(1,659)	(1,456)	13.9	(2,244)	(2,157)	4.0
Profit for the period / year		12,360	9,295	33.0	12,668	13,207	(4.1)
Attributable to:							
Owners of the Company		12,361	9,296	33.0	12,669	13,208	(4.1)
Non-controlling interests		(1)	(1)	0.0	(1)	(1)	0.0
Profit for the period / year		12,360	9,295	33.0	12,668	13,207	(4.1)
Earnings per share (cents per share)							
- Basic	8	5.61	4.22		5.75	6.00	
- Diluted	8	5.61	4.22		5.75	6.00	

B. CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SECOND HALF AND YEAR ENDED 31 DECEMBER 2021

Note	Group			Group		
	6 months ended 31 December 2021	6 months ended 31 December 2020	+ / (-)	12 months ended 31 December 2021	12 months ended 31 December 2020	+ / (-)
	\$'000	\$'000	%	\$'000	\$'000	%
Profit for the period / year	12,360	9,295	33.0	12,668	13,207	(4.1)
Other comprehensive income:						
Items that may be reclassified subsequently to profit or loss						
Net effect of exchange differences arising from quasi capital loan to subsidiaries	499	(2,829)	NM	1,226	(921)	NM
Foreign currency translation	(87)	(436)	(80.0)	(45)	(35)	28.6
	412	(3,265)	NM	1,181	(956)	NM
Items that will not be reclassified subsequently to profit or loss						
Changes in fair value of equity investment at FVOCI	243	(486)	NM	3,400	(1,457)	NM
	243	(486)	NM	3,400	(1,457)	NM
Other comprehensive income for the period / year, net of tax	655	(3,751)	NM	4,581	(2,413)	NM
Total comprehensive income for the period / year, net of tax	13,015	5,544	134.8	17,249	10,794	59.8
Attributable to:						
Owners of the Company	13,016	5,545	134.7	17,250	10,795	59.8
Non-controlling interests	(1)	(1)	0.0	(1)	(1)	0.0
Total comprehensive income for the period / year	13,015	5,544	134.8	17,249	10,794	59.8

**C. CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021**

	Note	Group			Company		
		31	31	+ / (-)	31	31	+ / (-)
		December	December		December	December	
		2021	2020	%	2021	2020	%
		\$'000	\$'000	%	\$'000	\$'000	%
Non-current assets							
Property, plant and equipment	13	108,951	100,451	8.5	525	1,606	(67.3)
Right-of-use assets		8,028	8,984	(10.6)	150	727	(79.4)
Investment in subsidiaries		–	–	NM	19,571	19,551	0.1
Loan to a subsidiary		–	–	NM	70,837	70,837	0.0
Quoted investments	11	6,557	3,157	107.7	6,557	3,157	107.7
Intangible asset	12	78	78	0.0	–	–	NM
Trade receivables		18,096	–	NM	–	–	NM
Other receivables	14	1,507	2,345	(35.7)	–	–	NM
		143,217	115,015	24.5	97,640	95,878	1.8
Current assets							
Inventories		46,255	57,344	(19.3)	–	–	NM
Trade receivables		20,621	10,120	103.8	2,204	1,798	22.6
Other receivables and deposits	14	11,233	12,692	(11.5)	169	363	(53.4)
Contract assets		6,325	1,695	273.2	5,398	–	NM
Prepayments		824	409	101.5	180	96	87.5
Derivatives		35	–	NM	35	–	NM
Loans to subsidiaries		–	–	NM	53,507	34,886	53.4
Fixed deposits		2,264	4,201	(46.1)	–	–	NM
Cash and bank balances		18,777	35,775	(47.5)	4,674	7,175	(34.9)
		106,334	122,236	(13.0)	66,167	44,318	49.3
Assets classified as held for sale		7,267	–	NM	–	–	NM
		113,601	122,236	(7.1)	66,167	44,318	49.3
Current liabilities							
Trade payables		11,854	18,767	(36.8)	82	–	NM
Other payables and accruals	15	21,207	22,309	(4.9)	2,018	2,328	(13.3)
Provisions		1,031	483	113.5	491	–	NM
Contract liabilities		2,717	776	250.1	442	428	3.3
Deferred income		–	500	NM	–	124	(100.0)
Provision for income tax		1,801	2,209	(18.5)	458	518	(11.6)
Lease liabilities		827	1,350	(38.7)	150	765	(80.4)
Bank loans	16	6,603	958	589.2	6,603	958	589.2
Deposits from subsidiaries		–	–	NM	10,547	8,896	18.6
		46,040	47,352	(2.8)	20,791	14,017	48.3
Net current assets		67,561	74,884	(9.8)	45,376	30,301	49.8

C. CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021 (cont'd)

	Note	Group			Company		
		31	31	+ / (-)	31	31	+ / (-)
		December	December		December	December	
		2021	2020	%	2021	2020	%
		\$'000	\$'000		\$'000	\$'000	
Non-current liabilities							
Deferred tax liabilities		2,743	2,219	23.6	15	132	(88.6)
Provisions		154	1,765	(91.3)	–	1,604	(100.0)
Lease liabilities		7,366	7,783	(5.4)	–	–	NM
Bank loans	16	8,631	3,497	146.8	8,631	3,497	146.8
		<u>18,894</u>	<u>15,264</u>	23.8	<u>8,646</u>	<u>5,233</u>	65.2
Net assets		<u>191,884</u>	<u>174,635</u>	9.9	<u>134,370</u>	<u>120,946</u>	11.1
Share capital	17	94,943	94,943	0.0	94,943	94,943	0.0
Reserves		96,946	79,696	21.6	39,427	26,003	51.6
Non-controlling interests		(5)	(4)	25.0	–	–	NM
Total equity		<u>191,884</u>	<u>174,635</u>	9.9	<u>134,370</u>	<u>120,946</u>	11.1

D. CONDENSED INTERIM STATEMENT OF CHANGE IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021

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

D. CONDENSED INTERIM STATEMENT OF CHANGE IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021 (cont'd)

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

D. CONDENSED INTERIM STATEMENT OF CHANGE IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021 (cont'd)

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

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

**E. CONDENSED INTERIM CONSOLIDATED CASH FLOW
STATEMENT FOR THE SECOND HALF AND YEAR ENDED 31
DECEMBER 2021**

	Note	Group			
		6 months ended 31 December 2021 \$'000	6 months ended 31 December 2020 \$'000	12 months ended 31 December 2021 \$'000	12 months ended 31 December 2020 \$'000
Operating activities					
Profit before tax		14,019	10,751	14,912	15,364
Adjustments for:					
Depreciation of property, plant and equipment and right-of-use assets		6,368	5,236	11,935	10,409
Gain on disposal of property, plant and equipment		(1,372)	(1,642)	(3,705)	(5,328)
Property, plant and equipment and inventory written off		61	19	64	19
Interest expense		278	161	439	218
Interest income		(249)	(218)	(476)	(409)
Impairment loss on trade receivable		1	321	240	321
Impairment / (reversal of impairment) on inventory		126	(20)	126	(20)
Provision for employee retirement benefits		(9)	45	(9)	45
Net fair value gain on derivatives		(35)	–	(35)	–
Reversal of restoration cost on leased land		(1,500)	–	(1,500)	–
Provision for warranty claims on shipbuilding contracts, net		264	254	357	333
Currency alignment		(335)	384	63	(1,280)
Operating cash flows before changes in working capital		17,617	15,291	22,411	19,672
Inventories		14,525	5,967	116	(15,900)
Trade receivables		(22,594)	385	(28,837)	2,698
Other receivables, deposits and prepayments		5,337	4,461	1,928	(322)
Contract assets		(6,325)	(356)	(4,630)	1,573
Trade payables		(2,726)	(1,288)	(6,913)	2,729
Other payables and accruals		(4,055)	(15,458)	(1,102)	(14,691)
Provisions		280	(286)	87	(372)
Contract liabilities		(1,701)	(3,669)	1,941	(266)
Deferred income, including government grant		(196)	(231)	(500)	500
Cash flows from / (used in) operations		162	4,816	(15,499)	(4,379)
Interest paid		(278)	(161)	(439)	(218)
Interest received		249	218	476	409
Income taxes paid, net		(939)	(877)	(2,180)	(1,171)
Net cash flows (used in) / generated from operating activities		(806)	3,996	(17,642)	(5,359)

E. CONDENSED INTERIM CONSOLIDATED CASH FLOW
STATEMENT FOR THE SECOND HALF AND YEAR ENDED 31
DECEMBER 2021 (cont'd)

	Group			
	6 months ended 31 December 2021	6 months ended 31 December 2020	12 months ended 31 December 2021	12 months ended 31 December 2020
Note	\$'000	\$'000	\$'000	\$'000
Investing activities				
Proceeds from disposal of property, plant and equipment and assets classified as held for sale	5,176	10,399	13,263	21,762
Additions to property, plant and equipment	(10,628)	(27,732)	(23,862)	(36,092)
Net cash flows used in investing activities	(5,452)	(17,333)	(10,599)	(14,330)
Financing activities				
Proceed from bank loans	2,995	-	12,237	5,000
Repayment of bank loans	(983)	(468)	(1,458)	(628)
Dividends paid	-	-	-	(3,853)
Payment of principal portion of lease liabilities	(3,300)	(989)	(1,808)	(1,467)
Decrease / (increase) in pledged deposits with licensed banks	3,489	(1,258)	2,568	(1,883)
Net cash flows generated from / (used in) financing activities	2,201	(2,715)	11,539	(2,831)
Net decrease in cash and cash equivalents	(4,057)	(16,052)	(16,702)	(22,520)
Effect of exchange rate changes on cash and cash equivalents	242	(1,173)	334	710
Cash and cash equivalents at beginning of period / year	22,787	52,565	35,340	57,150
Cash and cash equivalents at end of period / year	18,972	35,340	18,972	35,340

F. Notes to the condensed interim consolidated financial statements

1. Corporate information

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

These condensed interim consolidated financial statements for the year ended 31 December 2021 comprise the Company and its subsidiaries (collectively, the Group).

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

2. Basis of preparation

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

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

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

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

2.1 New and amended standards adopted by the Group

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

2.2 Use of judgements and estimates

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

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

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

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

3. Seasonal operations

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

4. Segment and revenue information

4.1 Reportable segments

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

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

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

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

4.1 Reportable segments (cont'd)

	Vessel chartering		Shipbuilding, ship repair and maintenance		Adjustments and eliminations		Total		
	12 months ended 31 December 2021 \$'000	12 months ended 31 December 2020 \$'000	12 months ended 31 December 2021 \$'000	12 months ended 31 December 2020 \$'000	12 months ended 31 December 2021 \$'000	12 months ended 31 December 2020 \$'000	Notes	12 months ended 31 December 2021 \$'000	12 months ended 31 December 2020 \$'000
Revenue									
Sales to external customers	26,320	21,674	106,329	97,743	–	–		132,649	119,417
Inter-segment sales	445	226	40,255	13,342	(40,700)	(13,568)	A	–	–
Total revenue	26,765	21,900	146,584	111,085	(40,700)	(13,568)		132,649	119,417
Results									
Finance income	486	366	277	302	(287)	(259)	B	476	409
Dividend income	6,000	6,000	–	–	(6,000)	(6,000)		–	–
Depreciation	(8,376)	(7,580)	(3,572)	(2,348)	13	(481)	B	(11,935)	(10,409)
Financial costs	(293)	(224)	(495)	(298)	287	259	B	(501)	(263)
Impairment / (reversal) on inventory	(126)	–	–	20	–	–		(126)	20
Other non-cash expenses	(3)	–	(301)	1,061	–	(1,400)		(304)	(339)
Segment profit before tax	10,090	9,296	11,195	11,846	(6,373)	(5,778)	C	14,912	15,364
Taxation								(2,244)	(2,157)
Profit for the year								12,668	13,207

4.1 Reportable segments (cont'd)

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

	Vessel chartering		Shipbuilding, ship repair and maintenance		Discontinued operation		Adjustments and eliminations		Total		
	12 months ended 31 December 2021	12 months ended 31 December 2020	12 months ended 31 December 2021	12 months ended 31 December 2020	12 months ended 31 December 2021	12 months ended 31 December 2020	12 months ended 31 December 2021	12 months ended 31 December 2020	Notes	12 months ended 31 December 2021	12 months ended 31 December 2020
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000		\$'000	\$'000
Assets and liabilities											
Additions to non-current assets	35,571	30,975	27,965	8,771	–	–	(6,188)	(230)	D	57,348	39,516
Goodwill	–	–	78	78	–	–	–	–		78	78
Segment assets	130,111	112,690	141,884	145,892	367	367	(15,544)	(21,698)	E	256,818	237,251
Segment liabilities	19,282	10,900	40,710	56,899	–	–	4,942	(5,183)	F	64,934	62,616

4.1 Reportable segments (cont'd)

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

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

	31 December 2021	31 December 2020
	\$'000	\$'000
From inter-segment transactions	(6,570)	(4,380)
Unallocated expenses	197	(1,398)
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	(6,373)	(5,778)

The unallocated expenses pertain mainly to depreciation of leasehold building.

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

	31 December 2021	31 December 2020
	\$'000	\$'000
Inter-segment assets	(15,931)	(23,000)
Unallocated assets	387	1,302
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	(15,544)	(21,698)

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:

	31 December 2021	31 December 2020
	\$'000	\$'000
Inter-segment liabilities	(93)	(11,215)
Deferred tax liabilities	2,743	2,219
Current tax liabilities	1,801	2,209
Provision for restoration cost	491	1,604
	<hr/>	<hr/>
	4,942	(5,183)

4.1 Reportable segments (cont'd) Geographical information

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

	Group					
	12 months ended					
	Vessel chartering		Shipbuilding, ship repair and maintenance		Total	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020	31 December 2021	31 December 2020
\$'000						
Singapore	4,809	3,723	13,416	2,502	18,225	6,225
Rest of Southeast Asia	20,026	17,855	432	42	20,458	17,897
Africa	1,079	96	51,885	62,142	52,964	62,238
Taiwan	–	–	5,552	15,543	5,552	15,543
Europe	406	–	28,235	5,805	28,641	5,805
India	–	–	5,881	–	5,881	–
Others	–	–	928	11,709	928	11,709
	26,320	21,674	106,329	97,743	132,649	119,417

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

4.2 Disaggregation of revenue

	Group					
	Shipbuilding, ship repair and maintenance					
	Vessel chartering		Shipbuilding, ship repair and maintenance		Total	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020	31 December 2021	31 December 2020
\$'000						
Types of goods or service:						
Sale of goods	-	-	103,416	95,404	103,416	95,404
Rendering of services	26,320	21,674	2,913	2,339	29,233	24,013
	26,320	21,674	106,329	97,743	132,649	119,417

5. Financial assets and financial liabilities

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

	Group		Company	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
	\$'000	\$'000	\$'000	\$'000
Financial assets				
Financial assets at fair value through other comprehensive income (FVOCI)	6,557	3,157	6,557	3,157
Financial assets as fair value through profit and loss	35	-	35	-
Cash and bank balances, fixed deposits, contract assets, trade receivables, other receivables and deposits and loans to subsidiaries (Amortised cost)	73,807	60,005	136,789	115,059
	80,399	63,162	143,381	118,216
Financial liabilities				
Trade payables, other payables and accruals, lease liabilities, deposit from subsidiary and bank loans (Amortised cost)	49,670	47,421	27,978	16,407

6. Profit before tax

6.1 Significant items

	Group			
	6 months ended 31 December 2021 \$'000	6 months ended 31 December 2020 \$'000	12 months ended 31 December 2021 \$'000	12 months ended 31 December 2020 \$'000
Other income				
Gain on disposal of property, plant, and equipment	1,372	1,642	3,705	5,328
Government grants under Covid-19 business support schemes provided by the Singapore government	512	1,770	1,364	3,518
Reversal of restoration cost of leased land	1,500	—	1,500	—
Interest income	249	218	476	409
Interest expense	(278)	(161)	(439)	(218)
Depreciation of property, plant and equipment and right-of-use assets	(6,368)	(5,236)	(11,935)	(10,409)
Foreign exchange gain, net	426	260	380	312
Impairment loss on trade receivable	(1)	(321)	(240)	(321)
(Impairment) / reversal on inventory	(126)	20	(126)	20
Property, plant and equipment and inventory written off	(61)	(19)	(64)	(19)

7. Income tax expense

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

	6 months ended 31 December 2021 \$'000	6 months ended 31 December 2020 \$'000	12 months ended 31 December 2021 \$'000	12 months ended 31 December 2020 \$'000
Current tax				
Current income tax expense	792	903	1,466	1,830
Under provision in respect of previous years	261	167	254	184
Deferred tax				
Movement in temporary differences	1,003	382	946	150
(Over)/ under provision in respect of previous years	(397)	4	(422)	(7)
	<u>1,659</u>	<u>1,456</u>	<u>2,244</u>	<u>2,157</u>

The Group is undergoing tax audit in certain tax jurisdiction and the outcome is still uncertain.

8. Earnings per share

	Group	
	12 months ended 31 December 2021	31 December 2020
Profit attributable to equity holders of the Company (\$)	<u>12,669,000</u>	<u>13,208,000</u>
Weighted average number of ordinary shares in issue for calculation of basic and diluted earnings per share	<u>220,169,774</u>	<u>220,169,774</u>
Basic earnings per share (cents)	<u>5.75</u>	<u>6.00</u>

The calculation of basic earnings per share at 31 December was based on profit attributable to owners of the Company and the weighted average number of ordinary shares outstanding.

The Group has no dilution in its earnings per share at 31 December 2021 and 31 December 2020.

9. Dividends

The directors have proposed a final dividend of 2.25 cents (2020: nil) per ordinary share, one-tier exempt, totalling \$4,953,820 (2020: nil) in respect of the year ended 31 December 2021.

10. Net asset value

	Group		Company	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Net asset value per ordinary share based on the issued share capital at the end of period (cents)	87.15	79.32	61.03	54.93

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

11. Financial assets at fair value through other comprehensive income

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

	Group	
	31 December 2021	31 December 2020
	\$'000	\$'000
Singapore listed equity securities		
- Marco Polo Marine Limited	6,557	3,157

11.1 Fair value measurement

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

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

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

Level 3 – Unobservable inputs for the asset or liability.

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

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

12. Intangible assets

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

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

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

13. Property, plant and equipment

During the year ended 31 December 2021, the Group acquired assets amounting to \$34,684,000 (31 December 2020: \$36,676,000) and disposed of assets amounting to \$9,636,000 (31 December 2020: \$8,772,000).

14. Other receivables and deposits

	Group		Company	
	31 December 2021 \$'000	31 December 2020 \$'000	31 December 2021 \$'000	31 December 2020 \$'000
Current:				
<i>Financial assets</i>				
Other receivables	4,715	4,456	5	96
Deposits	535	507	164	267
Insurance claims	967	906	–	–
	<hr/> 6,217	<hr/> 5,869	<hr/> 169	<hr/> 363
<i>Non-financial assets</i>				
Advance payment to suppliers	4,363	6,232	–	–
Deposits	4	17	–	–
Other receivables	649	574	–	–
	<hr/> 5,016	<hr/> 6,823	<hr/> –	<hr/> –
Total current other receivables and deposits	<hr/> 11,233	<hr/> 12,692	<hr/> 169	<hr/> 363
Non-current:				
<i>Financial assets</i>				
Other receivables	1,507	2,345	–	–
Total other receivables and deposits	<hr/> 12,740	<hr/> 15,037	<hr/> 169	<hr/> 363

Included in the Group's current other receivables and non-current other receivables is an amount of \$3,568,000 (31 December 2020: \$3,600,000) and \$1,507,000 (31 December 2020: \$2,345,000) respectively which pertains to sale of vessels (under property, plant and equipment) under deferred payment arrangements.

15. Other payables and accruals

	Group		Company	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
	\$'000	\$'000	\$'000	\$'000
<i>Financial liabilities</i>				
Accrued operating expenses	13,663	13,855	1,781	2,157
Other payables	726	1,211	184	134
	14,389	15,066	1,965	2,291
<i>Non-financial liabilities</i>				
Other payables	-	-	53	37
Advance payments and deposits received (non-refundable)	6,818	7,243	-	-
	6,818	7,243	53	37
Total other payables and accruals	21,207	22,309	2,018	2,328

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

16. Bank loans

	Group and Company	
	31 December 2021	31 December 2020
	\$'000	\$'000
<u>Amount repayable within one year or on demand</u>		
Secured	5,616	-
Unsecured	987	958
	6,603	958
<u>Amount repayable after one year</u>		
Secured	6,121	-
Unsecured	2,510	3,497
	8,631	3,497
Total bank loans	15,234	4,455

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

17. Share capital

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

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

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

18. Subsequent events

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

OTHER INFORMATION REQUIRED BY LISTING RULE APPENDIX 7.2

1. Review

The statement of financial position as at 31 December 2021 and the related consolidated income, consolidated statement of comprehensive income, statement of changes in equity and consolidated of cash flow statement for the year ended 31 December 2021 and the selected explanatory notes (the "Condensed Interim financial Statement") have not been audited or reviewed by the Company's auditors.

2. Review of Performance of the Group

Overview

Penguin's core shipbuilding and crewboat chartering activities are gradually picking up amidst rising, albeit erratic, demand in new and existing markets.

Review of the Group's Performance For 2H2021

Revenue	2H2021	2H2020	+ / (-)
	\$'000	\$'000	%
Shipbuilding, ship repair and maintenance	75,166	58,481	28.5%
Chartering	15,376	10,799	42.4%
Total	90,542	69,280	30.7%

Group revenue in 2H2021 was \$90.5 million, an increase of 30.7% from 2H2020. The increase in revenue and cost of sales was due mainly to an increase in the number of stock vessels sold and an increase in chartering activities over the period.

Despite the increase in revenue, gross profit margin decreased in 2H2021 (27.4%) compared with 2H2020 (30.1%), due mainly to lower margins from shipbuilding activities.

The decrease in other income in 2H2021 compared with 2H2020 was due mainly to fewer fleet vessels sold during the latest period and lower contribution from the various Covid-19 business support schemes provided by the Singapore government (2H2021: \$512,000 versus 2H2020: \$1,770,000). This was partially offset by the reversal of a provision made earlier for the restoration cost of leased land amounting to \$1.5 million.

The decrease in administrative expenses was due mainly to lower personnel cost.

The increase in other operating expenses was due mainly to higher marine insurance cost arising from more vessels being added to the Group's operating fleet.

As a result of the above, the Group posted a higher net profit of \$12.4 million in 2H2021, versus a net profit of \$9.3 million in 2H2020.

For FY2021

Revenue	FY2021	FY2020	+ / (-)
	\$'000	\$'000	%
Shipbuilding, ship repair and maintenance	106,329	97,743	8.8%
Chartering	26,320	21,674	21.4%
Total	132,649	119,417	11.1%

Group revenue in FY2021 was \$132.6 million, an increase of 11.1% from FY2020. The increase in revenue and cost of sales was due mainly to an increase in the number of stock vessels sold and an increase in chartering activity year-on-year.

The decrease in other income in FY2021 compared with FY2020 was due mainly to fewer fleet vessels sold during the latest period and lower contribution from the various Covid-19 business support schemes provided by the Singapore government (FY2021: \$1.4 million versus FY2020: \$3.5 million). This was partially offset by the reversal of a provision made earlier for the restoration cost of leased land amounting to \$1.5 million.

The increase in other operating expenses was higher marine insurance cost arising from more vessels being added to the Group's operating fleet.

As a result of the above, the Group posted a lower net profit of \$12.7 million in FY2021, compared with a net profit of \$13.2 million in FY2020.

Changes in Balance Sheet

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

The decrease in inventories was due mainly to the sale of stock vessels.

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

The net decrease in other receivables (non-current) and other receivables and deposits was due mainly to decrease in deposits for long-lead equipment for shipbuilding activities and payment received in other receivables from the disposal of property, plant, and equipment (namely fleet vessels) under deferred payment arrangements.

The net decrease in trade payables and other payables and accruals was due mainly to differences in the timing of payment made during the period.

Review of Group Cashflow

The net cash of \$17.6 million used in operating activities was used mostly in shipbuilding activities.

The net cash of \$10.6 million used in investing activities arose from the addition of new vessels to the Group's fleet, investment in the Group's new shipyard in Tuas and upgrading of the Group's shipyard in Batam. This was partially offset by the sale of vessels from the Group's operating fleet.

The net cash of \$11.5 million from financing activities arose from the drawdown of bank loans of \$12.2 million and a decrease in pledged deposits with licensed banks. This was offset by the repayment of bank loans and payment of the principal portion of lease liabilities.

As a result of the above cash movements, the Group's cash and cash equivalents decreased to \$19.0 million as at 31 December 2021, from \$35.3 million as at 31 December 2020.

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

Not applicable.

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

Gradual recovery amidst margin pressure

Penguin's core shipbuilding business was subdued for the most part of FY2021, with the bulk of stock vessel sales coming in only towards the end of the year. During the period, our shipyards in Batam and Singapore delivered 13 stock vessels and 2 build-to-order vessels, compared with 9 and 13 respectively in FY2020. Throughout this period, our vessel chartering business remained steady.

While the Group is anticipating a gradual improvement in shipbuilding revenue in FY2022, margins will continue to come under pressure from rising material and equipment costs, supply chain disruptions and intensifying competition in markets rife with uncertainty and protectionism.

Investing in our future

On the investment front, FY2021 was marked by high capital expenditure activities, where the Group invested in fleet expansion, upgrading of shipbuilding facilities in Batam and shipyard development at our new shipyard at 21 Tuas Road. These activities were funded mainly by internal funds and partially by bank borrowings. While CAPEX spending is expected to come down in FY2022, cash flow will likely face some pressure from ongoing self-funded stock vessel programmes and higher OPEX demands from a new, larger shipyard and a growing fleet. As such, bank borrowings will likely form an integral part of Penguin's capital structure for the foreseeable future.

In 2Q2022, Penguin Shipyard International and our Singapore headquarters will relocate from 18 Tuas Basin Link, before the JTC lease expiry in year 2025, to our new shipyard at 21 Tuas Road, which has double the land area of our current premises. The 18 Tuas Basic Link will be returned to JTC and we are finalising with JTC on this process. The new yard will feature a renovated office block, three new workshops and a new waterfront consisting of a pair of 50-metre piers and an adjacent slipway, with an estimated 50% more shipbuilding and repair capacity than our existing yard.

On the fleet expansion front, we added 6 new crewboats to our Pelican fleet in FY2021, compared with 2 the previous year. The average age of our crewboats as at end 2021 was 2.1 years, versus 2.3 years a year earlier. In addition, we introduced a slew of new features and improvements to our stock crewboats, security boats and windfarm vessels in our bid to remain competitive and relevant.

New markets and new energy projects

After delivering a new bespoke luxury ferry to a German owner and a new WindFlex-27 stock windfarm vessel to an Irish owner in FY2021, Europe has emerged as a significant new market for Penguin for the foreseeable future.

In June 2021, we delivered our largest and most luxurious newbuild ferry to date - a 46-metre, 450-pax, triple-deck ferry - to an established German ship owner for operations off northern Germany. This was our first build-to-order project for a European client for operations in Europe.

In June 2021, we delivered one of our WindFlex-27 stock Crew Transfer Vessels (CTV) to an Irish owner for operations in and around the United Kingdom. This was our first stock CTV sale to a European client for operations in Europe.

Europe is an important new market for Penguin not only because it has a well-established maritime eco-system. It is also an important hub that sets standards in the innovation and application of decarbonisation technology, thus presenting a valuable platform for Penguin to develop and apply its new energy projects, such as hybrid-electric and pure electric vessels.

In Singapore, Penguin is completing the commissioning a 32-metre hybrid-electric patrol boat for a Singapore government agency after spending a good part of FY2021 on design, engineering and construction. This vessel will be Singapore's first hybrid-electric patrol boat and Penguin's second hybrid-electric newbuild, after Penguin Tenaga.

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

5. Dividend Information

5a. Current Financial Period Reported on

Any dividend recommended for the current financial period reported on?

Name of Dividend: Final
 Dividend Type: Cash
 Dividend rate: 2.25 cents per ordinary share
 Tax Rate: One-tier tax exempt

5b. Corresponding Period of the Immediate Preceding Financial Year

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

No dividend for the year ended 31 December 2020 was recommended as the Group intended to conserve cash at that time.

5c. The date the dividend is payable

To be announced.

5d. The date on which Registrable Transfer received by the company (up to 5.00pm) will be registered before entitlement to the dividends are determined

To be announced.

5e. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year

	Lates Full Year S\$	Previous Full Year S\$
Ordinary shares – Final	4,953,820	Nil

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

The Company had a general mandate from shareholders for interested persons transactions ("IPT") authorising the Group to enter into certain IPT with Jeffrey Hing Yih

Peir and his associates which expired on 29 April 2021. The general IPT mandate from shareholders was not renewed at the Annual General Meeting held on 29 April 2021.

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

7. Review of performance of the Group – turnover and earnings

	Group		
	2021	2020	+ / (-)
	\$'000	\$'000	%
Sales from continuing operations reported for first half-year	42,107	50,137	(16.0)
Profit for the year but before deducting non-controlling interest reported for the first half-year	308	3,912	(92.1)
Sales from continuing operations reported for second half-year	90,542	69,280	30.7
Profit for the year but before deducting non-controlling interest reported for the second-half year	12,360	9,295	33.0

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

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

9. Disclosure of persons occupying managerial positions in the issuer or any of its principal subsidiaries who are relatives of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704 (13) in the format below. If there are no such persons, the issuer must make an appropriate negative statement.

Name	Age	Family relationship with any director and/or substantial shareholder	Current position and duties, and the year the position was held	Details of changes in duties and position held, if any, during the year
Tung Tak Wai	50	Brother of Finance and Administration Director, Tung May Fong	Appointed Manager (Logistics, Security and Facilities) on 1 June 2021. Responsibility over the Group's shipyard logistics, security and facilities functions.	No change

Confirmation by the Board

On behalf of the Board of Directors of the Company, to the best of our knowledge that nothing has come to the attention of the Board of Directors of the Company which may render the financial statements for the year ended 31 December 2021 to be false or misleading in any material aspect.

On behalf of the Board of Directors

Tung May Fong
Finance & Administration Director

Singapore
24 February 2022