CIRCULAR DATED 24 FEBRUARY 2021

THIS CIRCULAR IS ISSUED BY PENGUIN INTERNATIONAL LIMITED (THE "COMPANY"). THIS CIRCULAR IS IMPORTANT AS IT CONTAINS THE RECOMMENDATION OF THE INDEPENDENT DIRECTORS (AS DEFINED HEREIN) AND THE ADVICE OF PRIMEPARTNERS CORPORATE FINANCE PTE. LTD., THE INDEPENDENT FINANCIAL ADVISER TO THE INDEPENDENT DIRECTORS. THIS CIRCULAR REQUIRES YOUR IMMEDIATE ATTENTION AND YOU SHOULD READ IT CAREFULLY.

If you are in any doubt in relation to this Circular or as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately.

If you have sold or transferred all your issued and paid-up ordinary shares in the capital of the Company, you should immediately forward this Circular to the purchaser or transferee or to the bank, stockbroker, solicitor or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee. However, such documents should not be forwarded or transmitted to any jurisdiction outside of Singapore, Australia, China, Germany, Indonesia, Malaysia, New Zealand, Taiwan, Thailand and the United Kingdom.

The Singapore Exchange Securities Trading Limited assumes no responsibility for the correctness of any of the statements made, reports contained or opinions expressed in this Circular.

PENGUIN

PENGUIN INTERNATIONAL LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration No.: 197600165Z)

CIRCULAR TO SHAREHOLDERS

in relation to the

GENERAL OFFER

by

W CAPITAL MARKETS PTE. LTD.

(Incorporated in the Republic of Singapore)
(Company Registration No.: 201813270E)

for and on behalf of

EMET GRACE LTD.

(Incorporated in the Cayman Islands)
(Company Registration No.: MC-367608)

to acquire all the issued and paid-up ordinary shares in the capital of the Company other than those already held, directly or indirectly, by the Offeror (as defined herein) as at the date of the Offer (as defined herein)

Independent Financial Adviser to the Independent Directors of the Company

PRIME Partners

PRIMEPARTNERS CORPORATE FINANCE PTE. LTD.

(Incorporated in the Republic of Singapore)
(Company Registration No.: 200207389D)

SHAREHOLDERS SHOULD NOTE THAT THE OFFER DOCUMENT (AS DEFINED HEREIN) STATES THAT ACCEPTANCES SHOULD BE RECEIVED BY THE CLOSE OF THE OFFER AT 5.30 P.M. (SINGAPORE TIME) ON 10 MARCH 2021, OR SUCH LATER DATE(S) AS MAY BE ANNOUNCED FROM TIME TO TIME BY OR ON BEHALF OF THE OFFEROR. ACCORDINGLY, SHAREHOLDERS WHO WISH TO ACCEPT THE OFFER MUST DO SO BY SUCH TIME AND DATE.

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DEFINITIONS

In this Circular, the following definitions apply throughout unless the context otherwise requires or unless otherwise stated:

"**ACRA**"	:	The Accounting and Corporate Regulatory Authority of Singapore
"**Appraised Assets**"	:	Shall have the meaning ascribed to it in Section 9.1 of Appendix B to this Circular
"**Business Day**"	:	A day (other than Saturday, Sunday or a gazetted public holiday) on which commercial banks are open for business in Singapore
"**CDP**"	:	The Central Depository (Pte) Limited (Company Registration No.: 198003912M), a company incorporated in the Republic of Singapore
"**Circular**"	:	This circular to Shareholders dated 24 February 2021 from the Company containing, amongst other things, the Recommendation from the Independent Directors to Shareholders and the advice of the IFA to the Independent Directors
"**Closing Date**"	:	10 March 2021, or such later date(s) as may be announced from time to time by or on behalf of the Offeror, being the last day for the lodgement of acceptances of the Offer
"**Code**"	:	The Singapore Code on Take-overs and Mergers
"**Companies Act**"	:	The Companies Act, Chapter 50 of Singapore
"**Company**"	:	Penguin International Limited (Company Registration No.: 197600165Z), a company incorporated in the Republic of Singapore and listed on the Mainboard of the SGX-ST
"**Company Securities**"	:	(i) The Shares; (ii) securities which carry voting rights in the Company; and (iii) convertible securities, warrants, options (including any options granted under any employee share scheme of the Company) and derivatives in respect of the Shares or securities which carry voting rights in the Company
"**Constitution**"	:	The constitution of the Company
"**CPF**"	:	The Central Provident Fund
"**CPFIS**"	:	CPF Investment Scheme
"**CPFIS Investors**"	:	Investors who purchase Shares using their CPF contributions pursuant to the CPFIS
"**Directors**"	:	The directors of the Company as at the Latest Practicable Date
"**FAA**"	:	Form of Acceptance and Authorisation for Offer Shares which forms part of the Offer Document and which is issued to Shareholders whose Shares are deposited with CDP
"**FAT**"	:	Form of Acceptance and Transfer for Offer Shares which forms part of the Offer Document and which is issued to Shareholders whose Shares are not deposited with CDP

"FY"	:	In respect of the Company, financial year ended or ending (as the case may be) on 31 December of a particular year as stated
"FY2020 Results"	:	The unaudited consolidated financial statements of the Group for FY2020
"Group"	:	The Company and its subsidiaries from time to time
"IFA"	:	PrimePartners Corporate Finance Pte. Ltd. (Company Registration No.: 200207389D), a company incorporated in the Republic of Singapore and the independent financial adviser to the Independent Directors in respect of the Offer
"IFA Letter"	:	Letter dated 24 February 2021 from the IFA to the Independent Directors containing, amongst other things, the advice of the IFA to the Independent Directors in respect of the Offer, as set out in Appendix A to this Circular
"Independent Directors"	:	The Directors who are considered independent for the purposes of making the Recommendation, namely: (i) Mr. Ong Kian Min; (ii) Mr. Paul Tan Poh Lee; (iii) Mr. Leow Ban Tat; and (iv) Ms. Joanna Tung May Fong
"Independent Valuers"	:	The following: (i) ALC Consulting Services Pte. Ltd. (Company Registration No.: 200601206K), a company incorporated in the Republic of Singapore; (ii) Robert Khan & Co Pte Ltd (Company Registration No.: 199305890G), a company incorporated in the Republic of Singapore; and (iii) Muttaqin Bambang Purwanto Rozak Uswatun dan Rekan (Company Registration No.: 09.03.6.66.00048), a company incorporated in the Republic of Indonesia
"Latest Practicable Date"	:	15 February 2021, being the latest practicable date prior to the printing of this Circular
"Listing Manual"	:	The listing manual of the Mainboard of the SGX-ST in force as at the Latest Practicable Date
"Market Day"	:	A day on which the SGX-ST is open for trading of securities
"MGO Offer Announcement"	:	The announcement released by WCM, for and on behalf of the Offeror, on 1 February 2021, that the Offer had been converted from a voluntary conditional general offer to a mandatory conditional general offer

"**Offer**"	:	The general offer, for and on behalf of the Offeror, to acquire all the Offer Shares on the terms and subject to the conditions set out in the Offer Document and the Relevant Acceptance Forms
"**Offer Announcement**"	:	The announcement in connection with the voluntary conditional cash offer released by WCM, for and on behalf of the Offeror, on the Offer Announcement Date
"**Offer Announcement Date**"	:	21 January 2021, being the date of the Offer Announcement
"**Offer Document**"	:	The offer document dated 10 February 2021 issued by WCM, for and on behalf of the Offeror, in respect of the Offer
"**Offer Price**"	:	S$0.65 in cash for each Offer Share
"**Offer Shares**"	:	All the Shares, other than those Shares held, directly or indirectly, by the Offeror as at the date of the Offer
"**Offeror**"	:	Emet Grace Ltd. (Company Registration No.: MC-367608), a company incorporated in the Cayman Islands
"**Offeror Securities**"	:	(i) The Offeror Shares; (ii) securities which carry voting rights in the Offeror; and (iii) convertible securities, warrants, options and derivatives in respect of the Offeror Shares or securities which carry voting rights in the Offeror
"**Offeror Shares**"	:	Issued ordinary shares in the capital of the Offeror
"**Overseas Shareholders**"	:	Shareholders with neither a mailing address nor a corporate action mailing address in Singapore, as shown on the Register or, as the case may be, in the records of CDP
"**Recommendation**"	:	The recommendation in respect of the Offer as required under the Code
"**Register**"	:	The register of Shareholders maintained by the Share Registrar
"**Relevant Acceptance Forms**"	:	The FAA and/or the FAT
"**SFA**"	:	The Securities and Futures Act, Chapter 289 of Singapore
"**SGX-ST**"	:	Singapore Exchange Securities Trading Limited (Company Registration No.: 197300970D), a company incorporated in the Republic of Singapore
"**SGXNET**"	:	A system network used by listed companies to send information and announcements to the SGX-ST or any other system networks prescribed by the SGX-ST
"**SGX RegCo**"	:	Singapore Exchange Regulation Pte. Ltd. (Company Registration No.: 201709600D), a company incorporated in the Republic of Singapore
"**Share Registrar**"	:	Boardroom Corporate & Advisory Services Pte. Ltd. (Company Registration No.: 196800531W), a company incorporated in the Republic of Singapore and the share registrar of the Company located at 50 Raffles Place, #32-01, Singapore Land Tower, Singapore 048623

"**Shareholders**"	:	The holders of Shares, including persons whose Shares are deposited with CDP or who have purchased Shares on the SGX-ST
"**Shares**"	:	Issued and paid-up ordinary shares in the share capital of the Company
"**SIC**"	:	The Securities Industry Council of Singapore
"**SRS**"	:	The Supplementary Retirement Scheme
"**SRS Investors**"	:	Investors who have purchased Shares using their SRS contributions pursuant to the SRS
"**S$**"	:	Singapore dollars, being the lawful currency of Singapore
"**Valuation Reports**"	:	The valuation reports issued by the Independent Valuers, in relation to the independent valuations commissioned by the Company of the Appraised Assets
"**Valuation Report Extracts**"	:	The extracts of the Valuation Reports, as set out in Appendix F to this Circular
"**WCM**"	:	W Capital Markets Pte. Ltd. (Company Registration No.: 201813270E), a company incorporated in the Republic of Singapore
"**75% Acceptance Condition**"	:	Shall have the meaning ascribed to it in Section 8.2(a) of this Circular
"**%**" or "**per cent.**"	:	Percentage or per centum

Acting in Concert and Associates. Unless otherwise defined, the expression "**acting in concert**" and the term "**associates**" shall have the same meanings as ascribed to them respectively in the Code.

Announcements and Notices. References to the making of an announcement or the giving of notice by the Company shall include the release of an announcement by the Company or its agents, for and on behalf of the Company, to the press or the delivery of or transmission by telephone, facsimile, SGXNET or otherwise of an announcement to the SGX-ST. An announcement made otherwise than to the SGX-ST shall be notified to the SGX-ST simultaneously.

Depository Related Terms. The terms "**Depositor**", "**Depository Agent**" and "**Depository Register**" shall have the meanings ascribed to them respectively in Section 81SF of the SFA.

Expressions. Words importing the singular shall, where applicable, include the plural and *vice versa* and words indicating a specific gender shall, where applicable, include the other genders (male, female or neuter). References to persons shall, where applicable, include corporations.

Headings. The headings in this Circular are inserted for convenience only and shall be ignored in construing this Circular.

Rounding. Any discrepancies in figures included in this Circular between the listed amounts and their totals are due to rounding. Accordingly, figures may have been adjusted to ensure that totals or sub-totals shown, as the case may be, reflect an arithmetic aggregation of the figures that precede them.

Shareholders. References to "**you**", "**your**" and "**yours**" in this Circular are, as the context so determines, to Shareholders (including persons whose Shares are deposited with CDP or who have purchased the Shares on the SGX-ST).

Statutes. Any reference in this Circular to any enactment or statutory provision is a reference to that enactment or statutory provision for the time being amended, modified, supplemented or re-enacted. Any word defined in the Companies Act, the Code, the Listing Manual, the SFA, or any such statutory or regulatory modification thereof and not otherwise defined in this Circular shall, where applicable, have the meaning assigned to it under the Companies Act, the Code, the Listing Manual, the SFA or that modification thereof, as the case may be, unless the context otherwise requires.

Subsidiary, wholly owned subsidiary and related corporation. References to "**subsidiary**", "**wholly owned subsidiary**" and "**related corporation**" shall have the meanings ascribed to them respectively in Sections 5, 5B and 6 of the Companies Act.

Time and date. Any reference to a time of day and date in this Circular shall be a reference to Singapore time and date, unless otherwise stated.

Total Number of Shares and Percentage of Shares. In this Circular, the total number of Shares as at the Latest Practicable Date is 220,169,774 (based on the results of the instant information search of the Company dated the Latest Practicable Date conducted with ACRA). Unless otherwise specified, all references to a percentage shareholding in the capital of the Company in this Circular are based on 220,169,774 Shares as at the Latest Practicable Date.

Reproduced Statements. Statements which are reproduced in their entirety or as excerpts from the Offer Document, the IFA Letter, the Valuation Report Extracts, the FY2020 Results and the Constitution are set out in this Circular within quotes and in *italics*, and all capitalised terms and expressions used within these reproduced statements and not defined herein shall have the same meanings ascribed to them in the Offer Document, the IFA Letter, the Valuation Report Extracts, the FY2020 Results and the Constitution respectively.

CAUTIONARY NOTE ON FORWARD-LOOKING STATEMENTS

All statements other than statements of historical facts included in this Circular are or may be forward-looking statements. Forward-looking statements include but are not limited to those using words such as “aim”, “seek”, “expect”, “anticipate”, “estimate”, “believe”, “intend”, “project”, “plan”, “strategy”, “forecast” and similar expressions or future or conditional verbs such as “will”, “if”, “would”, “should”, “could”, “may” and “might”. These statements reflect the Company’s current expectations, beliefs, hopes, intentions or strategies regarding the future and assumptions in light of information available as at the Latest Practicable Date. Such forward-looking statements are not guarantees of future performance or events and involve known and unknown risks and uncertainties. Accordingly, actual results may differ materially from those described in such forward-looking statements. Shareholders should not place undue reliance on such forward-looking statements, and the Company assumes no obligation to update publicly or revise any forward-looking statement.

Given the risks and uncertainties that may cause the actual results, performance or achievements of the Company and/or Group to be materially different than expected, expressed or implied by the forward-looking statements in this Circular, Shareholders are advised not to place undue reliance on those statements. Further, the Company disclaims any responsibility to update any of those forward-looking statements or publicly announce any revisions to those forward-looking statements to reflect future developments, events or circumstances for any reason, even if new information becomes available or other events occur in the future, subject to compliance with all applicable laws and/or any regulatory or supervisory body or agency.

INDICATIVE TIMETABLE

Date of despatch of Offer Document	:	10 February 2021 (Wednesday)
Date of despatch of this Circular	:	24 February 2021 (Wednesday)
Closing Date and Time	:	5.30 p.m. (Singapore time) on 10 March 2021, or such later date(s) as may be announced from time to time by or on behalf of the Offeror, being the last day for the lodgement of acceptances of the Offer.
Date of settlement of consideration for valid acceptances of the Offer	:	In respect of acceptances of the Offer which are complete and valid in all respects and are received on or before the date on which the Offer becomes or is declared to be unconditional in all respects, within seven (7) Business Days of that date. In respect of acceptances of the Offer which are complete and valid in all respects and are received after the Offer becomes or is declared to be unconditional in all respects, within seven (7) Business Days of that date. Please refer to paragraph 1 of Appendix IV to the Offer Document, for further information.

PENGUIN INTERNATIONAL LIMITED

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

Directors	Registered Office
Mr. Jeffrey Hing Yih Peir (Executive Chairman)	18 Tuas Basin Link
Mr. James Tham Tuck Choong (Managing Director)	Singapore 638784
Mr. Ong Kian Min (Lead Independent and Non-executive Director)	
Mr. Paul Tan Poh Lee (Independent and Non-executive Director)	
Mr. Leow Ban Tat (Independent and Non-executive Director)	
Ms. Joanna Tung May Fong (Finance and Administration Director)	

24 February 2021

To: The Shareholders of the Company

Dear Sir / Madam

GENERAL OFFER BY W CAPITAL MARKETS PTE. LTD. FOR AND ON BEHALF OF EMET GRACE LTD. FOR THE OFFER SHARES

1. INTRODUCTION

1.1 **Offer Announcement.** On 21 January 2021, WCM announced, for and on behalf of the Offeror, that the Offeror intends to make a voluntary conditional cash offer to acquire the Offer Shares at a price of S$0.65 for each Offer Share.

A copy of the Offer Announcement is available for download from SGXNET at www.sgx.com. The Offer Announcement was also advertised in The Straits Times on 25 January 2021.

1.2 **MGO Offer Announcement.** On 1 February 2021, WCM announced, for and on behalf of the Offeror, that:

(a) as of the date of the MGO Offer Announcement, the total number of Shares owned, controlled or agreed to be acquired by the Offeror and persons acting in concert with it amounted to 66,211,448 Shares, representing approximately 30.07% of the total number of Shares;

(b) accordingly, pursuant to Rule 14.1 of the Code, the Offeror has incurred an obligation to make a mandatory conditional cash offer for all the Offer Shares; and

(c) the proposed voluntary conditional cash offer by the Offeror for the Offer Shares referred to in the Offer Announcement shall be converted to a mandatory conditional cash offer by the Offeror for the Offer Shares.

A copy of the MGO Offer Announcement is available for download from SGXNET at www.sgx.com.

1.3 **Offer Document.** Shareholders should by now have received a copy of the Offer Document and Relevant Acceptance Forms issued by WCM, for and on behalf of the Offeror, setting out, *inter alia*, the terms and conditions of the Offer. The principal terms and conditions of the Offer are set out in paragraph 2 of the Offer Document. **Shareholders are advised to read the terms and conditions of the Offer set out in the Offer Document carefully.**

A copy of the Offer Document is available for download from SGXNET at www.sgx.com.

1.4 **Independent Financial Adviser.** The Company has appointed PrimePartners Corporate Finance Pte. Ltd. as the independent financial adviser to advise the Independent Directors in respect of the Offer.

1.5 **Independent Directors.** Under the Code, the Independent Directors are required to make a Recommendation to Shareholders as to whether Shareholders should accept or reject the Offer.

1.6 **Purpose of this Circular.** The purpose of this Circular is to provide Shareholders with relevant information pertaining to the Offer and to set out the Recommendation of the Independent Directors and the advice of the IFA to the Independent Directors with regard to the Offer.

Shareholders should read the Offer Document, this Circular and the IFA Letter set out in Appendix A carefully and consider the advice of the IFA to the Independent Directors and the Recommendation of the Independent Directors in respect of the Offer before deciding whether to accept or reject the Offer.

If you are in any doubt in respect of this Circular or as to the action you should take, you should consult your stockbroker, bank manager, accountant, solicitor, tax adviser or other professional adviser immediately.

2. THE OFFER

2.1 **Offer and Offer Shares.** Subject to the terms and conditions set out in the Offer Document, the Offer is made by WCM, for and on behalf of the Offeror, for all the Offer Shares on the principal terms set out in paragraph 2 of the Offer Document, extracts of which are reproduced in *italics* below.

Unless otherwise defined, all terms and expressions used in the extracts below shall have the same meanings as those defined in the Offer Document.

2.2 **Offer Price.** Paragraph 2.2 of the Offer Document states the following:

> *"2.2* ***Consideration***
>
> ***For each Offer Share: S$0.65 in cash (the "Offer Price")*** *"*

2.3 **No Encumbrances.** Paragraph 2.3 of the Offer Document states the following:

> *"2.3* ***No Encumbrances***
>
> *The Offer Shares will be acquired (a) fully paid; (b) free from all liens, equities, mortgages, charges, encumbrances, rights of pre-emption and other third party rights and interests of any nature whatsoever (collectively, the "**Encumbrances**"); and (c) together with all rights, benefits and entitlements attached thereto as at the Offer Announcement Date and thereafter attaching thereto (including the right to receive and retain all dividends, other distributions and return of capital which may be announced, declared, paid or made thereon by the Company on or after the Offer Announcement Date (collectively, the "**Distributions**"))."*

2.4 **Adjustment for Distributions.** Paragraph 2.4 of the Offer Document states the following:

> *"2.4* ***Adjustment for Distributions***
>
> *Without prejudice to the foregoing, the Offer Price has been determined on the basis that the Offer Shares will be acquired with the right to receive any Distribution that may be announced, declared, paid or made by the Company on or after the Offer Announcement Date.*

> *If any Distribution is announced, declared, paid or made by the Company on or after the Offer Announcement Date, the Offeror reserves the right to reduce the Offer Price payable to a Shareholder who validly accepts or has validly accepted the Offer by an amount equivalent to such Distribution.*"

2.5 **Conditional Offer.** Paragraph 2.5 of the Offer Document states the following:

> "*2.5* ***Conditional Offer***
>
> *The Offer is conditional upon the Offeror having received, by the Closing Date, valid acceptances in respect of such number of Offer Shares which, when taken together with the Shares owned, controlled or agreed to be acquired by the Offeror and persons acting in concert with it (either before or during the Offer and pursuant to the Offer or otherwise), will result in the Offeror and persons acting in concert with it holding such number of Shares carrying more than 50% of the voting rights attributable to the issued share capital of the Company as at the Closing Date (the "****Acceptance Condition****").*
>
> *Accordingly, the Offer will not become or be capable of being declared unconditional as to acceptances until the Closing Date, unless at any time prior to the Closing Date, the Offeror has received valid acceptances (which have not been withdrawn) in respect of such number of Offer Shares which, when taken together with the Shares owned, controlled or agreed to be acquired by or on behalf of the Offeror and persons acting in concert with it (either before or during the Offer and pursuant to the Offer or otherwise), will result in the Offeror and persons acting in concert with it holding such number of Shares carrying more than 50% of the voting rights attributable to the issued share capital of the Company as at the Closing Date.*
>
> ***Save for the Acceptance Condition, the Offer will be unconditional in all other respects.***"

2.6 **Warranty.** Paragraph 2.6 of the Offer Document states the following:

> "*2.6* ***Warranty***
>
> *Acceptance of the Offer will be deemed to constitute an unconditional and irrevocable warranty by the accepting Shareholder that each Offer Share tendered in acceptance of the Offer is sold by the accepting Shareholder, as or on behalf of the beneficial owner(s) thereof, (a) fully paid; (b) free from all Encumbrances; and (c) together with all rights, benefits and entitlements attached thereto as at the Offer Announcement Date and thereafter attaching thereto (including the right to receive and retain all Distributions).*"

2.7 **Duration of the Offer.** Paragraph 2.7 of the Offer Document states the following:

> "*2.7* ***Duration of the Offer***
>
> *(a)* ***Closing Date***
>
> *Except insofar as the Offer may be withdrawn with the consent of the SIC and every person released from any obligation incurred thereunder, the Offer will remain open for acceptances by Shareholders for a period of at least 28 days from the date on which this Offer Document is posted.*
>
> ***Accordingly, the Offer will close at 5.30 p.m. (Singapore time) on 10 March 2021 or such later date(s) as may be announced from time to time by or on behalf of the Offeror.***

(b) ***Offer to Remain Open for 14 Days after being Declared Unconditional as to Acceptances***

Pursuant to Rule 22.6 of the Code, if the Offer becomes or is declared to be unconditional as to acceptances, the Offer will remain open for acceptance for not less than 14 days after the date on which it would otherwise have closed, in order to give those Shareholders who have not accepted the Offer the opportunity to do so. This requirement does not apply if, before the Offer becomes or is declared to be unconditional as to acceptances, the Offeror has given notice in writing to the Shareholders at least 14 days before the specified Closing Date that the Offer will not be open for acceptance beyond that date, provided that such notice may not be given, or if already given, shall not be capable of being enforced in a competitive situation. If a declaration that the Offer is unconditional as to acceptances is confirmed in accordance with paragraph 2(a) of ***Appendix IV*** *to this Offer Document, such period of not less than 14 days during which the Offer shall remain open for acceptance will run from the date of such confirmation, or the date on which the Offer would otherwise have expired, whichever is later.*

(c) ***Final Day Rule***

Pursuant to Rule 22.9 of the Code, the Offer (whether revised or not) will not be capable of becoming or being declared to be unconditional as to acceptances after 5.30 p.m. (Singapore time) on the 60th day after the date that this Offer Document is posted or of being kept open after the expiry of such period, unless it has previously become or been declared to be unconditional as to acceptances, except with the permission of the SIC. The SIC will consider granting such permission in circumstances, including but not limited to, where a competing offer has been announced.

(d) ***Revision***

Pursuant to Rule 20.1 of the Code, the Offer, if revised, will remain open for acceptance for a period of at least 14 days from the date of despatch of the written notification of the revision to Shareholders. In any case, where the terms of the Offer are revised, the benefit of the Offer (as so revised) will be made available to each of the Shareholders, including those who had previously accepted the Offer.

(e) ***Subsequent Closing Date***

If there is an extension of the Offer, pursuant to Rule 22.4 of the Code, any announcement of an extension of the Offer will state the next closing date or if the Offer is unconditional as to acceptances, a statement may be made that the Offer will remain open until further notice. In the latter case, those Shareholders who have not accepted the Offer will be notified in writing at least 14 days before the Offer is closed.

(f) ***No Obligation to Extend Offer***

The Offeror is not obliged to extend the Offer if the Acceptance Condition is not fulfilled by the Closing Date(s)."

2.8 **Promoters' Irrevocable Undertakings.** As stated in paragraph 5 of the Offer Document, each of Mr. Jeffrey Hing Yih Peir and Mr. James Tham Tuck Choong has given an irrevocable undertaking to the Offeror, as reproduced in *italics* below:

"*5.1* ***Details of the Promoters' Irrevocable Undertakings***

As at the Latest Practicable Date, JHYP holds 46,792,849 Shares, representing approximately 21.25% of the total number of Shares and JTTC holds 666,666 Shares, representing approximately 0.30% of the total number of Shares. Each of JTTC and JHYP has executed a Promoter's Irrevocable Undertaking dated 21 January 2021 in favour of the Offeror, pursuant to which each of them has undertaken, inter alia, to accept the Offer in respect of all the Shares held by him.

Details of the Promoters' shareholding in the Company which will be tendered in acceptance of the Offer by each Promoter pursuant to his Promoter's Irrevocable Undertaking are as follows:

Promoter	***Number of Shares to be tendered in acceptance of the Offer***	***Percentage of the total number of Shares (1)***
JHYP	*46,792,849(2)*	*21.25%*
JTTC	*666,666*	*0.30%*
Total	***47,459,515***	***21.56%***

Notes:

(1) Based on the Company's issued share capital of 220,169,774 Shares as at the Latest Practicable Date.

(2) Includes the WBK Shares, which were transferred by WBK to JHYP on 27 January 2021, for a nominal consideration of S$1.00 in aggregate.

5.2 ***Termination of the Promoters' Irrevocable Undertakings***

Each Promoter's Irrevocable Undertaking will terminate or lapse if the Offer is withdrawn or lapses, or fails to become or be declared to be unconditional in all respects for whatever reason, other than due to a breach by the relevant Promoter of any of his obligations under such Promoter's Irrevocable Undertaking.

5.3 ***No Other Irrevocable Undertakings***

Save for the Promoters' Irrevocable Undertakings, as at the Latest Practicable Date, neither the Offeror nor any person acting in concert with the Offeror has received any irrevocable undertaking from any other party to accept or reject the Offer.

5.4 As at the Latest Practicable Date, the number of Shares owned, controlled or agreed to be acquired by the Offeror and persons acting in concert with it, together with the total number of Shares to which the Promoters' Irrevocable Undertakings relate, is an aggregate of 69,421,748 Shares, representing approximately 31.53% of the total number of Shares."

3. FURTHER DETAILS OF THE OFFER

Appendix IV to the Offer Document sets out further details on the (a) settlement of the consideration for the Offer; (b) requirements relating to the announcement of the level of acceptances of the Offer; and (c) right of withdrawal of acceptances of the Offer.

4. PROCEDURES FOR ACCEPTANCE

Appendix V to the Offer Document sets out the procedures for acceptance of the Offer.

5. INFORMATION ON THE COMPANY

The Company was incorporated in the Republic of Singapore on 23 January 1976 and was listed on the Mainboard of the SGX-ST on 17 October 1997.

The Company, together with its subsidiaries, is a designer, builder, owner and operator of aluminium high-speed craft. The Group owns and operates a fleet of crewboats and passenger ferries, and designs and builds a variety of high-speed craft at the Group's shipyards in Singapore and Batam, Indonesia. These include patrol boats, fire fighting search-and-rescue vessels, windfarm support vessels and security vessels.

Additional information on the Company is set out in Appendix B to this Circular.

6. INFORMATION ON THE OFFEROR AND ITS SHAREHOLDERS

The following information on the Offeror and its shareholders has been extracted from paragraph 4 of the Offer Document and reproduced in *italics* below. Unless otherwise defined, all terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document.

*"4.1 **The Offeror***

*The Offeror is an investment holding company incorporated under the laws of the Cayman Islands on 3 November 2020. As at the Latest Practicable Date, the Offeror has an issued share capital of S$1,000 comprising 10,000 ordinary shares (the "**Offeror Shares**"), which are held by the shareholders of the Offeror as follows:*

Shareholders of the Offeror	***Shareholding Percentage***
*Fairy, L.P. (acting by its general partner, Fairy Ltd.) (the "**Sponsor**")*	*40%*
*Mr. Jeffrey Hing Yih Peir ("**JHYP**")*	*55%*
*Mr. James Tham Tuck Choong ("**JTTC**")*	*5%*
Total	***100%***

The board of directors of the Offeror comprises JHYP, JTTC and Mr. Tan Keng Soon (Keith) (Founding Partner of Dymon Asia Capital Ltd. (the holding company of the Dymon group) and Chairman of the Dymon Asia Private Equity Investment Committee).

*4.2 **The Sponsor***

*The Sponsor is a special purpose vehicle incorporated under the laws of the Cayman Islands on 9 October 2020, which is wholly-owned by Dymon Asia Private Equity (S.E. Asia) II Ltd. (as general partner for and on behalf of Dymon Asia Private Equity (S.E. Asia) Fund II, L.P.) ("**Dymon Asia**"). Dymon Asia is managed by Dymon Asia Private Equity (Singapore) Pte. Ltd., a Singapore-based fund manager that manages Dymon Asia Private Equity (S.E. Asia) Fund, L.P., which has committed capital of S$300 million and Dymon Asia Private Equity (S.E. Asia) Fund II, L.P., a fund with commitments of US$450 million.*

*4.3 **The Promoters***

*As at the Latest Practicable Date, JHYP and JTTC (collectively, the "**Promoters**" and each, a "**Promoter**") hold an aggregate of 47,459,515 Shares, representing approximately 21.56% of the total number of Shares, details of which are set out below:*

(a) JHYP holds 46,792,849 Shares, representing approximately 21.25% of the total number of Shares; and

(b) *JTTC holds 666,666 Shares, representing approximately 0.30% of the total number of Shares.*

*As mentioned in paragraph 4.3 of the Offer Announcement, JHYP and his wife, Mdm. Wong Bei Keen ("**WBK**") had, on the Offer Announcement Date, entered into a deed of undertaking in favour of the Offeror (the "**Deed of Transfer**"), pursuant to which WBK had, inter alia, irrevocably undertaken to transfer to JHYP as soon as practicable after the Offer Announcement Date but in any event prior to the date of despatch of this Offer Document, the 3,333,333 Shares held by Citibank Nominees Singapore Pte Ltd on her behalf (the "**WBK Shares**"), for a nominal consideration of S$1.00 in aggregate. As at the Latest Practicable Date, the WBK Shares have been transferred from WBK to JHYP and constitute part of the Shares held by JHYP as set out in paragraph 4.3(a).*

*As mentioned in paragraph 1 of **Appendix I** to this Offer Document, JHYP and JTTC are the directors and key management personnel of the Company.*

4.4 ***Consortium Arrangements***

*The Sponsor and the Promoters (collectively, the "**Offeror Shareholders**") have agreed to form a consortium through the Offeror to undertake the Offer. The Offeror Shareholders had, on the Offer Announcement Date, entered into the following arrangements (collectively, the "**Consortium Arrangements**"):*

(a) *a shareholders' agreement (the "**SHA**") to, inter alia, regulate the relationship of the Offeror Shareholders inter se as shareholders of the Offeror and in the conduct of the business and affairs of the Offeror (including the Offer).*

*As the Offeror and the Offeror Shareholders intend and desire that there be continuity of management and minimal interruption to the business of the Company, the Offeror and the Offeror Shareholders had agreed under the SHA that after the completion of the Offer and subject to the Company having been delisted following the completion of the Offer, the Company shall enter into a new service agreement (each, a "**New Service Agreement**") with each Promoter. Each New Service Agreement will be on substantially the same terms as their respective existing service agreement, and will commit the relevant Promoter to a minimum initial term of four (4) years from the date of the New Service Agreement; and*

(b) *each of the Promoters had provided an irrevocable undertaking in favour of the Offeror (each, a "**Promoter's Irrevocable Undertaking**" and collectively, the "**Promoters' Irrevocable Undertakings**") pursuant to which he will undertake and/or agree, inter alia:*

(i) *to accept the Offer in respect of all the Shares held by him, details of which are set out in paragraph 4.3 above;*

(ii) *that the total cash consideration payable by the Offeror for such acceptance by him in respect of the Shares held by him (each, the "**Set-Off Amount**" and collectively, the "**Set-Off Amounts**") will be regarded as an interest-free shareholder loan extended by him to the Offeror, such that no cash consideration shall be payable by the Offeror to him pursuant to his acceptance of the Offer in respect of such Shares; and*

(iii) *to waive his rights under Rule 30 of the Code to receive any cash settlement or payment for the acceptance of the Offer.*

Pursuant to the terms of the SHA, the Offeror Shareholders have agreed, inter alia, that:

(A) *save for the Promoters' Irrevocable Undertakings and the Deed of Transfer, all matters relating to the Offer will require the unanimous approval of the Sponsor and the Promoters;*

*(B) each Promoter shall contribute to the Offeror his respective shareholding proportion inter se of the funds that will be utilised for the Transaction (the "**Total Commitment**") which shall comprise (1) the Set-Off Amount and (2) a cash amount representing the amount by which his shareholding proportion inter se of the Total Commitment exceeds the Set-Off Amount. The Sponsor shall contribute to the Offeror its shareholding proportion inter se of the Total Commitment in cash;*

(C) following the completion of the Transaction:

(1) a portion of the Total Commitment as set out in the foregoing paragraph 4.4(B) will be converted into additional Offeror Shares for the Sponsor and the Promoters in accordance with their respective shareholding proportion inter se; and

(2) the remaining amount of the Total Commitment after the deduction of the amount set out in paragraph 4.4(C)(1) above will remain as shareholder loans;

*(D) save for the pledging of the Offeror Shares as security in connection with the (1) loans extended by the Sponsor to the Promoters to finance part of the Total Commitment and (2) external loans and credit facilities to be obtained by the Offeror to repay the shareholder loans described in paragraph 4.4(C)(2) above (the "**External Financing**"), each Promoter undertakes to the Sponsor that, as long as the Sponsor holds Offeror Shares during the period commencing on the date of the SHA and ending on the third (3rd) anniversary of the completion of the Transaction, such Promoter shall not dispose of or create encumbrances over the Offeror Shares that he owns without the prior approval of the Sponsor;*

*(E) following the completion of the Transaction, the number of directors on the board of directors of the Offeror (the "**Offeror Directors**") shall not be more than five (5). Under the SHA, the Sponsor shall be entitled to request the appointment of two (2) Offeror Directors and the Promoters (acting jointly) shall be entitled to request the appointment of three (3) Offeror Directors, who shall include JHYP and JTTC; and*

(F) in the event the Company remains listed following the close of the Offer, subject to:

(1) the repayment in full of the loans extended by the Sponsor and the release and discharge of the charges over the Promoters' Offeror Shares in favour of the Sponsor as set out in paragraph 4.4(D) above;

(2) the External Financing (if taken up by the Offeror) having been repaid in full by the Offeror;

(3) all applicable laws; and

(4) any instrument, contract, document or agreement to which the Offeror is a party or by which its assets are bound (including the SHA),

*the Offeror Shareholders shall (at the Sponsor's option) procure that the Offeror makes an in-specie distribution of all the Shares then held by the Offeror to the Promoters and the Sponsor in their respective shareholding proportion inter se by way of dividend, to the extent permitted under applicable laws (the "**In-Specie Distribution**"). Thereafter, each Promoter undertakes to the Sponsor that during the period commencing on the date of the completion of the In-Specie Distribution and ending on the fifth (5th) anniversary of the close of the Offer, the Promoters shall not sell, transfer, mortgage, charge, pledge, grant an option over, or otherwise dispose of or create encumbrances over the Shares that they own without the prior written approval of the Sponsor.*

The SIC has confirmed that the Consortium Arrangements do not constitute special deals for the purpose of Rule 10 of the Code.

*4.5 **Shareholding in the Offeror***

The shareholding in the Offeror will be maintained at the shareholding proportions set out in paragraph 4.1 above until the close of the Offer."

7. RATIONALE FOR THE OFFER

The full text of the rationale for the Offer has been extracted from paragraph 6 of the Offer Document and reproduced in *italics* below. Unless otherwise defined, all terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document. **Shareholders are advised to read the extract below carefully.**

"*6.1 **Low Trading Liquidity of Shares***

The trading volume of the Shares has been low, with an average daily trading volume[1] *of approximately 173,350 Shares, 104,798 Shares, 120,123 Shares and 279,521 Shares during the respective one (1)-month period, three (3)-month period, six (6)-month period and twelve (12)-month period up to and including 18 December 2020 (the "**Last Trading Day**"), being the last full Market Day immediately before the Company released the announcement in respect of a possible transaction involving the Shares on 21 December 2020 (the "**Holding Announcement Date**"). Each of these represents less than 0.13% of the total number of Shares for any of the aforementioned relevant periods.*

The Offer therefore provides Shareholders who find it difficult to exit the Company as a result of the low trading volume of the Shares with an opportunity to liquidate and realise their investments in the Shares at a premium over the prevailing market prices which would otherwise not be available given the low trading liquidity of the Shares.

*6.2 **Offer Price at a Premium over the Last Transacted Share Price***

The Offer Price represents a premium of 30.00% over the last transacted price per Share of S$0.500 on 18 December 2020, being the last Market Day on which the Shares were transacted prior to the Holding Announcement Date.

*When compared to the benchmark prices of the Shares up to and including the Last Trading Day, the Offer Price also represents a premium of approximately 35.70%, 42.54%, 44.44% and 17.54% over the volume weighted average price ("**VWAP**") per Share for the one (1)-month, three (3)-month, six (6)-month and twelve (12)-month periods, respectively.*

The Offer presents Shareholders with a clean cash exit opportunity to realise their entire investment in the Shares at a premium over the prevailing trading prices of the Shares without incurring brokerage and other trading costs.

*6.3 **Greater Management Flexibility***

The Offeror is making the Offer with a view to delisting the Company from the Mainboard of the SGX-ST and exercising any rights of compulsory acquisition that may arise under Section 215(1) of the Companies Act. The Offeror believes that privatising the Company will give the Offeror and the management of the Company more flexibility to manage the business of the Company, optimise the use of its management and capital resources and facilitate the implementation of any operational change.

*6.4 **Compliance Costs of Maintaining Listing***

In maintaining its listed status, the Company incurs compliance and associated costs. In the event that the Company is delisted from the SGX-ST, the Company will be able to save on expenses relating to the maintenance of a listed status and focus its resources on its business operations.

1 Calculated by using the total volume of Shares traded divided by the number of Market Days with respect to the one (1)-month period, three (3)-month period, six (6)-month period and twelve (12)-month period respectively up to and including the Last Trading Day."

8. THE OFFEROR'S INTENTIONS REGARDING LISTING STATUS AND COMPULSORY ACQUISITION

8.1 **Offeror's intentions.** The full text stating the Offeror's intentions relating to the listing status and compulsory acquisition of the Company has been extracted from paragraph 8 of the Offer Document and reproduced in *italics* below. Unless otherwise defined, all terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document. **Shareholders are advised to read the extract below carefully.**

"*8.1* ***Listing Status***

Pursuant to Rule 1105 of the Listing Manual, upon an announcement by the Offeror that acceptances have been received pursuant to the Offer that bring the holdings in Shares of the Offeror and persons acting in concert with it to above 90% of the total number of Shares (excluding any Shares held in treasury), the SGX-ST may suspend the trading of the Shares in the Ready and Unit Share markets until it is satisfied that at least 10% of the total number of Shares (excluding any Shares held in treasury) are held by at least 500 Shareholders who are members of the public.

Rule 1303(1) of the Listing Manual provides that where the Offeror succeeds in garnering acceptances exceeding 90% of the total number of Shares (excluding any Shares held in treasury), thus causing the percentage of the total number of Shares (excluding any Shares held in treasury) held in public hands to fall below 10%, the SGX-ST will suspend trading of the Shares only at the close of the Offer.

Under Rule 724(1) of the Listing Manual, if the percentage of the Shares held in public hands falls below 10%, the Company must, as soon as practicable, announce that fact, and the SGX-ST may suspend trading of all the Shares. Rule 724(2) of the Listing Manual states that the SGX-ST may allow the Company a period of three (3) months, or such longer period as the SGX-ST may agree, to raise the percentage of the Shares held in public hands to at least 10%, failing which the Company may be removed from the Official List of the SGX-ST.

8.2 ***Compulsory Acquisition***

*Pursuant to Section 215(1) of the Companies Act, in the event that the Offeror acquires not less than 90% of the total number of Shares (other than those already held by the Offeror, its related corporations or their respective nominees as at the date of the Offer and excluding any Shares held in treasury), the Offeror will be entitled to exercise the right to compulsorily acquire all the Shares from Shareholders who have not accepted the Offer, at a price equal to the Offer Price (the "**Compulsory Acquisition**").*

In addition, pursuant to Section 215(3) of the Companies Act, if the Offeror acquires such number of Shares which, together with the Shares held by it, its related corporations and their respective nominees, comprise 90% or more of the total number of Shares, the Shareholders who have not accepted the Offer will have a right to require the Offeror to acquire their Shares at the Offer Price. Such Shareholders who wish to exercise such a right are advised to seek their own independent legal advice.

8.3 ***Offeror's Intentions***

The Offeror intends to make the Company its wholly-owned subsidiary and does not intend to preserve the listing status of the Company. Accordingly, the Offeror, if and when entitled, intends to exercise its rights of Compulsory Acquisition and does not intend to take any step for the public float to be restored and/or for any trading suspension of the Shares by the SGX-ST to be lifted in the event that, inter alia, less than 10% of the total number of Shares (excluding any Shares held in treasury) are held in public hands.

> *In addition, the Offeror also reserves the right to seek a voluntary delisting of the Company from the SGX-ST pursuant to Rules 1307 and 1309 of the Listing Manual (collectively, the "**Voluntary Delisting Rules**"). Without prejudice to the foregoing, if the Offeror receives, as at the Closing Date, valid acceptances of the Offer from Shareholders (other than persons acting in concert with the Offeror) (the "**Independent Shareholders**") representing at least 75% of the total number of Shares held by the Independent Shareholders and subject to substantive compliance with the other requirements set out in the Voluntary Delisting Rules, the Offeror intends to seek the SGX-ST's waiver from strict compliance with such Voluntary Delisting Rules.*
>
> *In the event that the public float is lost and the Offeror is unable to exercise its rights of Compulsory Acquisition or the Company is unable to meet the requirements set out in the Voluntary Delisting Rules, the trading of the Shares may be subjected to a prolonged period of suspension.*
>
> *Subject to normal business conditions and other than in the normal course of business, the Offeror does not intend to (a) make major changes to the business of the Company or its management team; (b) re-deploy the fixed assets of the Company; or (c) discontinue the employment of the employees of the Group. Nonetheless, the Offeror retains the flexibility at any time to consider any options or opportunities which may present themselves and which the Offeror may regard to be in the interests of the Company.*"

8.2 **SGX RegCo's regulator's column in relation to delisting.** In the event that the Company loses its free float pursuant to the Offer but the following conditions are met, SGX RegCo may take the view that the delisting requirements under the Listing Manual are substantively complied with and will consider waiving strict compliance with such delisting requirements:

(a) as at the close of the Offer, the Offeror has received acceptances from independent Shareholders (i.e. Shareholders excluding the Offeror and parties acting in concert with it) that represent a majority of at least 75% of the total number of issued shares held by independent shareholders ("**75% Acceptance Condition**"); and

(b) the Offer is fair and reasonable (and the IFA has opined that the Offer is fair and reasonable).

It is important that Shareholders are aware of the potential consequences in considering whether to accept the Offer, particularly where free float has been lost but the requisite conditions for delisting, including the 75% Acceptance Condition, are not met. In such circumstances, Shareholders should note the risk that the Company may consequently be subject to prolonged suspension.

For more information, please refer to the regulator's column entitled "SGX RegCo's Expectations on Information to be provided to Shareholders in connection with a General Offer" published by SGX RegCo on 4 May 2020 at https://www.sgx.com/media-centre/20200504-regulators-column-sgx-regcos-expectations-information-be-provided.

9. DIRECTORS' INTERESTS

Details of the Directors including, amongst other things, the Directors' direct and deemed interests in the Offeror Securities and the Company Securities as at the Latest Practicable Date are set out in Appendix B to this Circular.

10. ADVICE OF THE IFA TO THE INDEPENDENT DIRECTORS

10.1 **IFA.** Shareholders should read and consider carefully the advice of the IFA to the Independent Directors in respect of the Offer as contained in the IFA Letter and the Recommendation as set out in Section 11.2 of this Circular before deciding on whether to accept or reject the Offer. The IFA Letter setting out the advice of the IFA to the Independent Directors in respect of the Offer is set out in Appendix A to this Circular.

10.2 **Evaluation of the Offer by the IFA.** The key factors relied upon by the IFA in arriving at its advice to the Independent Directors in respect of the Offer are set out in paragraph 10 of the IFA Letter. **Shareholders should read and carefully consider the key factors relied upon by the IFA in arriving at its advice to the Independent Directors as set out in paragraph 10 of the IFA Letter in conjunction with, and in the context of, the full text of the IFA Letter.**

10.3 **Advice of the IFA to the Independent Directors on the Offer.** Taking into consideration the factors set out in the IFA Letter and the information available to the IFA as at the Latest Practicable Date and subject to the qualifications and assumptions set out in the IFA Letter, the IFA has made certain recommendations to the Independent Directors as set out in paragraph 10 of the IFA Letter, an extract of which is reproduced in *italics* below. Shareholders should read the extract in conjunction with, and in the context of, the full text of the IFA Letter.

> "***Having considered the aforementioned factors set out in this letter and summarised in this section, we are of the opinion that the financial terms of the Offer are not fair but reasonable. Based on our opinion, we advise the Independent Directors to recommend that Shareholders accept the Offer, unless Shareholders are able to obtain a price higher than the Offer Price on the open market, taking into account all the brokerage commissions or transactions costs in connection with open market transactions.***
>
> *We also advise the Independent Directors to consider highlighting to the Shareholders that there is no assurance that the price of the Shares will remain at current levels after the close or lapse of the Offer and the current price performance of the Shares may not be indicative of the future price performance levels of the Shares.*"

11. RECOMMENDATION OF THE INDEPENDENT DIRECTORS

11.1 **Independence of Directors.** Mr. Jeffrey Hing Yih Peir, the Executive Chairman of the Company, is not an Independent Director as he is a director and a shareholder of the Offeror.

Mr. James Tham Tuck Choong, the Managing Director of the Company, is not an Independent Director as he is a director and a shareholder of the Offeror.

Accordingly, Mr. Jeffrey Hing Yih Peir and Mr. James Tham Tuck Choong will face conflicts of interest in relation to the Offer that would render it inappropriate for them to join the Independent Directors in making a Recommendation to Shareholders in connection with the Offer.

The SIC had ruled on 19 January 2021 that Mr. Jeffrey Hing Yih Peir and Mr. James Tham Tuck Choong are exempted from making a Recommendation to Shareholders on the Offer.

Notwithstanding the above, all the Directors (including, for the avoidance of doubt, Mr. Jeffrey Hing Yih Peir and Mr. James Tham Tuck Choong) are jointly and severally responsible for the accuracy of facts stated, opinions expressed and completeness of the information given by the Company to Shareholders on the Offer, including information contained in documents, announcements and advertisements issued by or on behalf of the Company in connection with the Offer.

11.2 **Independent Directors' Recommendation.** The Independent Directors, having considered carefully, amongst other things, the terms of the Offer and the advice given by the IFA in the IFA Letter, **CONCUR** with the IFA's assessment of the Offer and its Recommendation thereon. Accordingly, the Independent Directors recommend that Shareholders **ACCEPT** the Offer or sell their Shares in the open market if they are able to obtain a price higher than the Offer Price (after deducting transaction costs).

SHAREHOLDERS ARE ADVISED TO READ THE IFA LETTER SET OUT IN APPENDIX A TO THIS CIRCULAR CAREFULLY BEFORE DECIDING WHETHER TO ACCEPT OR REJECT THE OFFER. SHAREHOLDERS SHOULD NOTE THAT THE IFA'S OPINION SHOULD NOT BE RELIED UPON BY ANY SHAREHOLDER AS THE SOLE BASIS FOR DECIDING WHETHER OR NOT TO ACCEPT THE OFFER. SHAREHOLDERS ARE ALSO URGED TO READ THE OFFER DOCUMENT CAREFULLY.

The IFA and the Independent Directors, in giving their advice and making their Recommendation respectively, have not had regard to the specific investment objectives, financial situation, tax position, risk profiles or unique needs and constraints of any individual Shareholder. As each Shareholder would have different investment objectives and profiles, any individual Shareholder who may require specific advice in respect of his investment objectives or portfolio should consult his stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately.

Shareholders should also note that there is no assurance that the price of the Shares will remain at current levels after the close or lapse of the Offer and the current price performance of the Shares may not be indicative of the future price performance levels of the Shares.

12. ACTION TO BE TAKEN BY SHAREHOLDERS

12.1 **Shareholders who DO NOT WISH TO ACCEPT the Offer.** Shareholders who do not wish to accept the Offer should take no further action in respect of the Offer Document, the FAA and/or the FAT which have been sent to them.

12.2 **Shareholder who WISH TO ACCEPT the Offer.** Shareholders who wish to accept the Offer must do so no later than 5.30 p.m. (Singapore time) on the Closing Date, abiding by the procedures for the acceptance of the Offer as set out in Appendix V to the Offer Document, the FAA and/or the FAT.

Acceptances should be completed and returned as soon as possible and, in any event, so as to be received, on behalf of the Offeror, by CDP (in respect of the FAA) or the Share Registrar (in respect of the FAT), as the case may be, not later than 5.30 p.m. (Singapore time) on the Closing Date.

13. OVERSEAS SHAREHOLDERS AND COPIES OF THIS CIRCULAR

13.1 **Overseas Shareholders.** The full text relating to Overseas Shareholders has been extracted from paragraph 9 of the Offer Document and is reproduced in *italics* below. Unless otherwise defined, all terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document.

> "*The availability of the Offer to Shareholders whose mailing addresses are outside of Singapore (as shown on the register of members of the Company or, as the case may be, in the records of CDP) (collectively, the "**Overseas Shareholders**" and each, an "**Overseas Shareholder**") may be affected by the laws of the relevant overseas jurisdictions. Accordingly, any Overseas Shareholder should inform himself about and observe any applicable legal requirements, and exercise caution in relation to the Offer, as this Offer Document, the FAAs and the FATs have not been reviewed by any regulatory authority in any overseas jurisdiction.* ***Where there are potential restrictions on sending this Offer Document, the FAAs and/or the FATs to any overseas jurisdictions, the Offeror, the Financial Adviser and CDP each reserves the right not to send these documents to Shareholders in such overseas jurisdictions. For the avoidance of doubt, the Offer is open to all Shareholders, including those to whom this Offer Document, the FAAs and/or the FATs have not been, or may not be, sent.***
>
> *Copies of this Offer Document and any other formal documentation relating to the Offer are not being, and must not be, directly or indirectly, mailed or otherwise forwarded, distributed or sent in or into or from any jurisdiction where the making of or the acceptance of the Offer would violate the law of that jurisdiction (a "**Restricted Jurisdiction**") and will not be capable of acceptance by any such use, means, instrumentality or facility within any Restricted Jurisdiction and persons receiving such documents (including custodians, nominees and trustees) must not mail or otherwise forward, distribute or send them in or into or from any Restricted Jurisdiction.*

The Offer (unless otherwise determined by the Offeror and permitted by applicable laws and regulations) will not be made, directly or indirectly, in or into, or by the use of mails of, or by any means or instrumentality (including without limitation, telephonically or electronically) of interstate or foreign commerce of, or any facility of a national, state or other securities exchange of, any Restricted Jurisdiction, and the Offer will not be capable of acceptance by any such use, means, instrumentality or facility.

Overseas Shareholders may, nonetheless, obtain copies of this Offer Document, the FAAs, the FATs and/or any related documents, during normal business hours and up to the Closing Date, from the Offeror through CDP (if he is a depositor) by contacting CDP via telephone (+65 6535 7511) or email services (asksgx@sgx.com), or the Share Registrar (if he is a scripholder), at its office located at 50 Raffles Place, #32-01, Singapore Land Tower, Singapore 048623.

Alternatively, an Overseas Shareholder may write to the Offeror through CDP (if he is a depositor) at Robinson Road Post Office, P.O. Box 1984, Singapore 903934, or the Share Registrar (if he is a scripholder) at the address listed above, to request for this Offer Document, the FAAs, the FATs and/or any related documents to be sent to an address in Singapore by ordinary post at such Overseas Shareholder's own risk, up to five (5) Market Days prior to the Closing Date.

Electronic copies of this Offer Document, the FAA and FAT are also available on the website of the SGX-ST at www.sgx.com.

It is the responsibility of any Overseas Shareholder who wishes to (a) request for this Offer Document, the FAAs, the FATs and/or any related documents; or (b) accept the Offer, to satisfy himself as to the full observance of the laws of the relevant jurisdiction in that connection, including the obtaining of any governmental or other consent which may be required, and compliance with all necessary formalities or legal requirements and the payment of any taxes, imposts, duties or other requisite payments due in such jurisdiction. Such Overseas Shareholder shall be liable for any such taxes, imposts, duties or other requisite payments payable and the Offeror and any person acting on its behalf (including the Financial Adviser) shall be fully indemnified and held harmless by such Overseas Shareholder for any such taxes, imposts, duties or other requisite payments as the Offeror and/or any person acting on its behalf (including the Financial Adviser) may be required to pay. In (i) requesting for this Offer Document, the FAAs, the FATs and/or any related documents; and/or (ii) accepting the Offer, the Overseas Shareholder represents and warrants to the Offeror and the Financial Adviser that he is in full observance of the laws of the relevant jurisdiction in that connection, and that he is in full compliance with all necessary formalities or legal requirements. ***Any Overseas Shareholder who is in any doubt about his position should consult his professional adviser in the relevant jurisdiction.***

The Offeror and the Financial Adviser each reserves the right to notify any matter, including the fact that the Offer has been made, to any or all Shareholders (including Overseas Shareholders) by announcement on the website of the SGX-ST or notice and if necessary, by paid advertisement in a newspaper published and circulated in Singapore, in which case such notice shall be deemed to have been sufficiently given, notwithstanding any failure by any Shareholder (including an Overseas Shareholder) to receive or see such announcement, notice or advertisement."

13.2 **Copies of this Circular.** This Circular will not be sent to all Overseas Shareholders due to potential restrictions on sending such documents to the relevant overseas jurisdictions. Any affected Overseas Shareholder may, nevertheless, obtain copies of this Circular during normal business hours up to the Closing Date from the offices of the Share Registrar at 50 Raffles Place, #32-01, Singapore Land Tower, Singapore 048623, download a copy of this Circular from the SGXNet at www.sgx.com, or make a request to the Share Registrar for this Circular to be sent to an address in Singapore by ordinary post at his own risk, up to five (5) Market Days prior to the Closing Date.

It is the responsibility of any Overseas Shareholder who wishes to request this Circular and/or any related documents to satisfy himself as to the full observance of the laws of the relevant jurisdictions in that connection, including the obtaining of any governmental or other consent which may be required, or compliance with other necessary formalities or legal requirements. In requesting for this Circular and/or any related documents, the Overseas Shareholder represents and warrants to the Company that he is in full observance of the laws of the relevant jurisdiction in that connection, and that he is in full compliance with all necessary formalities or legal requirements.

14. INFORMATION PERTAINING TO CPFIS INVESTORS AND SRS INVESTORS

The full text relating to CPFIS Investors and SRS Investors has been extracted from paragraph 12 of the Offer Document and reproduced in *italics* below. Unless otherwise defined, all terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document.

"*CPFIS Investors will receive further information on how to accept the Offer from the CPF Agent Banks directly. CPFIS Investors are advised to consult their respective CPF Agent Banks should they require further information, and if they are in any doubt as to the action they should take, CPFIS Investors should seek independent professional advice. CPFIS Investors who wish to accept the Offer are to reply to their respective CPF Agent Banks by the deadline stated in the letter from their respective CPF Agent Banks. CPFIS Investors who accept the Offer will receive the Offer Price payable in respect of their Offer Shares in their respective CPF investment accounts.*

SRS Investors will receive further information on how to accept the Offer from the SRS Agent Banks directly. SRS Investors are advised to consult their respective SRS Agent Banks should they require further information, and if they are in any doubt as to the action they should take, SRS Investors should seek independent professional advice. SRS Investors who wish to accept the Offer are to reply to their respective SRS Agent Banks by the deadline stated in the letter from their respective SRS Agent Banks. SRS Investors who accept the Offer will receive the Offer Price payable in respect of their Offer Shares in their respective SRS investment accounts."

15. DIRECTORS' RESPONSIBILITY STATEMENT

15.1 The Directors (including those who have delegated detailed supervision of this Circular) have taken all reasonable care to ensure that the facts stated and all opinions expressed in this Circular (other than in the IFA Letter and the Valuation Report Extracts) are fair and accurate, and that no material facts have been omitted from this Circular, and they jointly and severally accept responsibility accordingly.

15.2 In respect of the IFA Letter and the Valuation Report Extracts, the sole responsibility of the Directors has been to ensure that the facts stated with respect to the Group are fair and accurate.

15.3 The Recommendation set out in Section 11 of this Circular is the sole responsibility of the Independent Directors.

15.4 Where any information has been extracted or reproduced from published or otherwise publicly available sources (including, without limitation, the Offer Announcement, any other announcements made by or on behalf of the Offeror and the Offer Document, and in respect of the Company), the sole responsibility of the Directors has been to ensure through reasonable enquiries that such information is accurately and correctly extracted from such sources or, as the case may be, reproduced in this Circular.

16. CONSENTS

16.1 The IFA has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its name, the IFA Letter setting out its advice to the Independent Directors set out in Appendix A to this Circular, and all references thereto, in the form and context in which they appear in this Circular.

16.2 Each of the Independent Valuers has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its name, the Valuation Report Extracts relating to its Valuation Report set out in Appendix F to this Circular, and all references thereto, in the form and context in which they appear in this Circular.

17. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of the Company at 18 Tuas Basin Link, Singapore 638784 during normal business hours from the date of this Circular up to and including the Closing Date:

(a) the Constitution;

(b) the annual reports of the Company for FY2017, FY2018 and FY2019;

(c) the IFA Letter as set out in Appendix A to this Circular;

(d) the Valuation Reports;

(e) the FY2020 Results as set out in Appendix E to this Circular; and

(f) the letters of consent from the IFA and the Independent Valuers referred to in Section 16 of this Circular.

18. ADDITIONAL INFORMATION

The attention of Shareholders is also drawn to the Appendices which form part of this Circular.

Yours faithfully
For and on behalf of the Board of Directors of
PENGUIN INTERNATIONAL LIMITED

Joanna Tung May Fong
Finance and Administration Director

PRIMEPARTNERS CORPORATE FINANCE PTE. LTD.
16 Collyer Quay
#10-00 Income at Raffles
Singapore 049318

24 February 2021

To: The Independent Directors of **Penguin International Limited**
(deemed to be independent in respect of the Offer)

Mr. Ong Kian Min (Lead Independent and Non-executive Director)
Mr. Paul Tan Poh Lee (Independent and Non-executive Director)
Mr. Leow Ban Tat (Independent and Non-executive Director)
Ms. Joanna Tung May Fong (Finance and Administration Director)

Dear Sirs

INDEPENDENT FINANCIAL ADVICE TO THE INDEPENDENT DIRECTORS IN RESPECT OF THE GENERAL OFFER BY W CAPITAL MARKETS PTE. LTD. ("WCM"), FOR AND ON BEHALF OF EMET GRACE LTD. (THE "OFFEROR"), TO ACQUIRE ALL THE ISSUED AND PAID-UP ORDINARY SHARES IN THE CAPITAL OF PENGUIN INTERNATIONAL LIMITED (THE "COMPANY") OTHER THAN THOSE ALREADY HELD DIRECTLY OR INDIRECTLY BY THE OFFEROR AS AT THE DATE OF THE OFFER

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*Unless otherwise defined or the context otherwise requires, all terms defined in the circular issued by the Company dated 24 February 2021 (the "**Circular**") shall have the same meaning herein.*

1. INTRODUCTION

On 21 January 2021 (the "**Offer Announcement Date**"), WCM announced, for and on behalf of the Offeror, that the Offeror intends to make a voluntary conditional cash offer (the "**Offer**") to acquire all the issued and paid-up ordinary shares in the capital of the Company (the "**Shares**") other than those already held directly or indirectly by the Offeror as at the date of the Offer (the "**Offer Shares**") at a price of S$0.65 (the "**Offer Price**") for each Offer Share.

On 1 February 2021, WCM announced, for and on behalf of the Offeror, that

(i) as of the date of the MGO Offer Announcement, the total number of Shares owned, controlled or agreed to be acquired by the Offeror and persons acting in concert with it amounted to 66,211,448 Shares, representing approximately 30.07% of the total number of Shares;

(ii) accordingly, pursuant to Rule 14.1 of the Code, the Offeror has incurred an obligation to make a mandatory conditional cash offer for all the Offer Shares; and

(iii) the proposed voluntary conditional cash offer by the Offeror for the Offer Shares referred to in the Offer Announcement shall be converted to a mandatory conditional cash offer by the Offeror for the Offer Shares.

The Offeror is an investment holding company incorporated under the laws of the Cayman Islands. As at the Offer Announcement Date, the Offeror has an issued share capital of S$1,000 comprising 10,000 ordinary shares which are held by the following shareholders of the Offeror:

(i) Fairy, L.P. (acting by its general partner, Fairy Ltd.) (the "**Sponsor**"), a special purpose vehicle which is wholly owned by Dymon Asia Private Equity (S.E. Asia) II Ltd. (as general partner for and on behalf of Dymon Asia Private Equity (S.E. Asia) Fund II, L.P.) ("**Dymon Asia**");

(ii) Jeffrey Hing Yih Peir, Executive Chairman of the Company (“**JHYP**”); and

(iii) James Tham Tuck Choong, Managing Director of the Company (“**JTTC**”).

As at the Latest Practicable Date, JHYP and JTTC (collectively, the “**Promoters**” and each a “**Promoter**”) hold an aggregate of 47,459,515 Shares, representing approximately 21.56% of the total number of Shares, details of which are set out below:

(a) JHYP holds 46,792,849 Shares, representing approximately 21.25% of the total number of Shares; and

(b) JTTC holds 666,666 Shares, representing approximately 0.30% of the total number of Shares.

The Sponsor and the Promoters (collectively, the “**Offeror Shareholders**”) have agreed to form a consortium through the Offeror to undertake the Offer.

The Offer is conditional upon the Offeror having received, by the close of the Offer, valid acceptances in respect of such number of Offer Shares which, when taken together with the Shares owned, controlled or agreed to be acquired by the Offeror and persons acting in concert with it (either before or during the Offer and pursuant to the Offer or otherwise), will result in the Offeror and persons acting in concert with it holding such number of Shares carrying more than 50% of the voting rights attributable to the issued share capital of the Company as at the close of the Offer (the “**Acceptance Condition**”).

We further understand that the Offeror intends to make the Company its wholly-owned subsidiary and does not intend to preserve the listing status of the Company. Accordingly, the Offeror, if and when entitled, intends to exercise its rights of compulsory acquisition under Section 215(1) of the Companies Act and does not intend to take any step for the public float to be restored and/or for any trading suspension of the Shares by the SGX-ST to be lifted in the event that, *inter alia*, less than 10% of the total number of Shares (excluding any Shares held in treasury) are held in public hands. In addition, the Offeror also reserves the right to seek a voluntary delisting of the Company from the SGX-ST pursuant to Rules 1307 and 1309 of the Listing Manual.

PrimePartners Corporate Finance Pte. Ltd. (“**PPCF**”) has been appointed by the Company to advise the Independent Directors in respect of the Offer. This letter sets out, *inter alia*, our views and evaluation of the financial terms of the Offer and our opinion thereon and forms part of the Circular providing, *inter alia*, details of the Offer and the recommendation of the Independent Directors.

2. TERMS OF REFERENCE

We have been appointed to advise the Independent Directors on the financial terms of the Offer in compliance with the provisions of the Singapore Code on Take-overs and Mergers (the “**Code**”). We have confined our evaluation to the financial terms of the Offer and have not taken into account the commercial risks and/or commercial merits of the Offer.

Our terms of reference do not require us to evaluate or comment on the rationale for, or the strategic or long-term merits of the Offer or on the future prospects of the Company and its subsidiaries (the “**Group**”) or the method and terms by which the Offer is made or any other alternative methods by which the Offer may be made. Such evaluations and comments remain the sole responsibility of the Directors, although we may draw upon their views or make such comments in respect thereof (to the extent deemed necessary or appropriate by us) in arriving at our opinion as set out in this letter.

We are not authorised to solicit, and we have not solicited, any indications of interest from any third party with respect to the Shares. We are therefore not addressing the relative merits of the Offer as compared to any alternative transaction that may be available to the Company (or the Shareholders), or as compared to any alternative offer that might otherwise be available in the future.

In the course of our evaluation of the financial terms of the Offer, we have relied on, and assumed without independent verification, the accuracy and completeness of published information relating to the Company. We have also relied on information provided and representations made, including relevant financial analyses and estimates, by the management of the Company (the "**Management**"), the Directors, the Company's solicitors and auditors. We have not independently verified such information or any representation or assurance made by them, whether written or verbal, and accordingly cannot and do not make any representation or warranty, express or implied, in respect of, and do not accept any responsibility for, the accuracy, completeness or adequacy of such information, representation or assurance. We have nevertheless made such reasonable enquiries and exercised our judgement as we deemed necessary and have found no reason to doubt the reliability of the information.

We have relied upon the assurances of the Directors that they have taken all reasonable care to ensure that the facts stated and all opinions expressed in the Circular (other than those relating to the Offeror and the Offer and those in this letter and Valuation Report Extracts) are fair and accurate, and that no material facts have been omitted from the Circular, and they jointly and severally accept responsibility accordingly.

For the purposes of assessing the financial terms of the Offer and reaching our conclusions thereon, we have not relied upon any financial projections or forecasts in respect of the Company. We will not be required to express, and we do not express, any view on the growth prospects and earnings potential of the Company in connection with our opinion in this letter.

We have not made any independent evaluation or appraisal of the assets and liabilities (including, without limitation, property, plant and equipment and right-of-use assets) of the Company or the Group and have only relied on the independent valuation reports by ALC Consulting Services Pte. Ltd. ("**ALC Consulting**"), Robert Khan & Co Pte Ltd ("**Robert Khan**") and Muttaqin Bambang Purwanto Rozak Uswatun dan Rekan ("**MBPRU**") (collectively the "**Independent Valuers**") in relation to the valuation of the Appraised Assets (as defined herein).

Our analysis and opinion as set out in this letter is based upon market, economic, industry, monetary and other conditions in effect on, and the information provided to us as at 15 February 2021 (the "**Latest Practicable Date**"). Such conditions may change significantly over a relatively short period of time. We assume no responsibility to update, revise or reaffirm our opinion in light of any subsequent development after the Latest Practicable Date that may affect our opinion contained herein. Shareholders should further take note of any announcements relevant to their consideration of the Offer which may be released by the Company and/or the Offeror after the Latest Practicable Date.

In rendering our opinion, we have not had regard to the specific investment objectives, financial situation, tax position, risk profiles or unique needs and constraints of any individual Shareholder. As each Shareholder would have different investment objectives and profiles, we would advise the Independent Directors to recommend that any individual Shareholder who may require specific advice in relation to his investment objectives or portfolio should consult his stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately. As such, our opinion should not be the sole basis for deciding whether or not to accept the Offer.

The Company has been separately advised by its own advisers in the preparation of the Circular (other than this letter). Accordingly, we take no responsibility for and express no views, express or implied, on the contents of the Circular (other than this letter).

Our opinion in respect of the Offer, as set out in paragraph 10 of this letter, should be considered in the context of the entirety of this letter and the Circular.

3. THE OFFER

Shareholders should by now have received a copy of the Offer Document, setting out, *inter alia*, the terms and conditions of the Offer. The principal terms and conditions of the Offer are set out in paragraph 2 of the Offer Document. **Shareholders are advised to read the terms and conditions of the Offer set out in the Offer Document carefully.**

3.1 Offer Shares

The Offer is extended, on the same terms and conditions, to all the Shares other than those Shares held directly or indirectly, by the Offeror as at the date of the Offer.

3.2 Offer Price

As stated in paragraph 2.2 of the Offer Document, the consideration for each Offer Share is as follows:

FOR EACH OFFER SHARE: S$0.65 in cash.

3.3 No Encumbrances

The Offer Shares will be acquired (a) fully paid, (b) free from all liens, equities, mortgages, charges, encumbrances, rights of pre-emption and other third party rights and interests of any nature whatsoever (collectively, the "**Encumbrances**"), and (c) together with all rights, benefits and entitlements attached thereto as at the Offer Announcement Date and thereafter attaching thereto (including the right to receive and retain all dividends, other distributions and return of capital which may be announced, declared, paid or made thereon by the Company on or after the Offer Announcement Date (collectively, the "**Distributions**").

3.4 Adjustment for Distributions

As stated in paragraph 2.4 of the Offer Document, without prejudice to the foregoing, the Offer Price has been determined on the basis that the Offer Shares will be acquired with the right to receive any Distribution that may be announced, declared, paid or made by the Company on or after the Offer Announcement Date.

If any Distribution is announced, declared, paid or made by the Company on or after the Offer Announcement Date, the Offeror reserves the right to reduce the Offer Price payable to a Shareholder who validly accepts or has validly accepted the Offer by an amount equivalent to such Distribution.

3.5 Conditional Offer

As stated in paragraph 2.5 of the Offer Document, the Offer is conditional upon the Offeror having received, by the Closing Date, valid acceptances in respect of such number of Offer Shares which, when taken together with the Shares owned, controlled or agreed to be acquired by the Offeror and persons acting in concert with it (either before or during the Offer and pursuant to the Offer or otherwise), will result in the Offeror and persons acting in concert with it holding such number of Shares carrying more than 50% of the voting rights attributable to the issued share capital of the Company as at the Closing Date.

Accordingly, the Offer will not become or be capable of being declared unconditional as to acceptances until the Closing Date, unless at any time prior to the Closing Date, the Offeror has received valid acceptances (which have not been withdrawn) in respect of such number of Offer Shares which, when taken together with the Shares owned, controlled or agreed to be acquired by or on behalf of the Offeror and persons acting in concert with it (either before or during the Offer and pursuant to the Offer or otherwise), will result in the Offeror and persons acting in concert with it holding such number of Shares carrying more than 50% of the voting rights attributable to the issued share capital of the Company as at the Closing Date.

Save for the Acceptance Condition, the Offer will be unconditional in all other respects.

3.6 Warranty

As stated in paragraph 2.6 of the Offer Document, acceptance of the Offer will be deemed to constitute an unconditional and irrevocable warranty by the accepting Shareholder that each Offer Share tendered in acceptance of the Offer is sold by the accepting Shareholder, as or on behalf of the beneficial owner(s) thereof, (a) fully paid; (b) free from all Encumbrances; and (c) together with all rights, benefits and entitlements attached thereto as at the Offer Announcement Date and thereafter attaching thereto (including the right to receive and retain all Distributions).

3.7 Closing date

Except insofar as the Offer may be withdrawn with the consent of the SIC and every person released from any obligation incurred thereunder, the Offer will remain open for acceptances by Shareholders for a period of at least 28 days from the date on which this Offer Document is posted.

Accordingly, the Offer will close at 5.30 p.m. (Singapore time) on 10 March 2021 or such later date(s) as may be announced from time to time by or on behalf of the Offeror.

3.8 Further details of the Offer

Further details of the Offer are set out in paragraphs 2.7, 2.8 and Appendix IV to the Offer Document, including details on (i) the duration of the Offer; (ii) the settlement of the consideration for the Offer; (iii) the requirements relating to the announcement of the level of acceptances of the Offer; and (iv) the right of withdrawal of acceptances of the Offer.

4. INFORMATION ON THE COMPANY

The information on the Company as set out below in italics has been extracted from paragraph 3 of the Offer Document. Unless otherwise defined, all terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document.

*"**3. <u>INFORMATION ON THE COMPANY</u>***

*3.1 **Incorporation and Listing***

Based on publicly available information, the Company was incorporated under the laws of Singapore on 23 January 1976 and was listed on the Mainboard of the SGX-ST on 17 October 1997. The Company, together with its subsidiaries, is a designer, builder, owner and operator of aluminium high-speed craft.

*3.2 **Share Capital***

As at the Latest Practicable Date, based on the results of the electronic instant information search of the Company obtained from ACRA, the Company has an issued and paid-up share capital of S$95,885,990.0081 comprising 220,169,774 Shares. The Company does not hold any treasury Shares.

As at the Latest Practicable Date, based on information available to the Offeror:

(a) the Company has not granted any options or issued any rights, warrants or other securities convertible into, exercisable or redeemable into any Shares; and

(b) there is no restriction in the constitution of the Company on the right to transfer any Shares, which has the effect of requiring the holders of the Offer Shares to first offer them for purchase to Shareholders or to any other person, before transferring them.

3.3 ***Additional Information on the Company***

Appendix I *to this Offer Document sets out additional information on the Company."*

5. INFORMATION ON THE OFFEROR AND ITS SHAREHOLDERS

The information on the Offeror and its shareholders as set out below in italics has been extracted from paragraph 4 of the Offer Document. Unless otherwise defined, all terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document.

"4. INFORMATION ON THE OFFEROR, THE CONSORTIUM AND DYMON ASIA PRIVATE EQUITY

4.1 ***The Offeror***

*The Offeror is an investment holding company incorporated under the laws of the Cayman Islands on 3 November 2020. As at the Latest Practicable Date, the Offeror has an issued share capital of S$1,000 comprising 10,000 ordinary shares (the "**Offeror Shares**"), which are held by the shareholders of the Offeror as follows:*

Shareholders of Offeror	***Shareholding Percentage***
*Fairy, L.P. (acting by its general partner, Fairy Ltd.) (the "**Sponsor**")*	*40%*
*Mr. Jeffrey Hing Yih Peir ("**JHYP**")*	*55%*
*Mr. James Tham Tuck Choong ("**JTTC**")*	*5%*
Total	***100%***

The board of directors of the Offeror comprises JHYP, JTTC and Mr. Tan Keng Soon (Keith) (Founding Partner of Dymon Asia Capital Ltd. (the holding company of the Dymon group) and Chairman of the Dymon Asia Private Equity Investment Committee).

4.2 ***The Sponsor***

*The Sponsor is a special purpose vehicle incorporated under the laws of the Cayman Islands on 9 October 2020, which is wholly-owned by Dymon Asia Private Equity (S.E. Asia) II Ltd. (as general partner for and on behalf of Dymon Asia Private Equity (S.E. Asia) Fund II, L.P.) ("**Dymon Asia**"). Dymon Asia is managed by Dymon Asia Private Equity (Singapore) Pte. Ltd., a Singapore-based fund manager that manages Dymon Asia Private Equity (S.E.Asia) Fund, L.P., which has committed capital of S$300 million and Dymon Asia Private Equity (S.E. Asia) Fund II, L.P., a fund with commitments of US$450 million.*

4.3 ***The Promoters***

*As at the Latest Practicable Date, JHYP and JTTC (collectively, the "**Promoters**" and each, a "**Promoter**") hold an aggregate of 47,459,515 Shares, representing approximately 21.56% of the total number of Shares, details of which are set out below:*

(a) JHYP holds 46,792,849 Shares, representing approximately 21.25% of the total number of Shares; and

(b) JTTC holds 666,666 Shares, representing approximately 0.30% of the total number of Shares.

*As mentioned in paragraph 4.3 of the Offer Announcement, JHYP and his wife, Mdm. Wong Bei Keen ("**WBK**") had, on the Offer Announcement Date, entered into a deed of undertaking in favour of the Offeror (the "**Deed of Transfer**"), pursuant to which WBK had,* *inter alia, irrevocably undertaken to transfer to JHYP as soon as practicable after the Offer Announcement Date but in any event prior to the date of despatch of this Offer Document, the 3,333,333 Shares held by Citibank Nominees Singapore Pte Ltd on her behalf (the "**WBK Shares**"), for a nominal consideration of S$1.00 in aggregate. As at the Latest Practicable Date, the WBK Shares have been transferred from WBK to JHYP and constitute part of the Shares held by JHYP as set out in paragraph 4.3(a).*

*As mentioned in paragraph 1 of **Appendix I** to this Offer Document, JHYP and JTTC are the directors and key management personnel of the Company.*

*4.4 **Consortium Arrangements***

*The Sponsor and the Promoters (collectively, the "**Offeror Shareholders**") have agreed to form a consortium through the Offeror to undertake the Offer. The Offeror Shareholders had, on the Offer Announcement Date, entered into the following arrangements (collectively, the "**Consortium Arrangements**"):*

*(a) a shareholders' agreement (the "**SHA**") to, inter alia, regulate the relationship of the Offeror Shareholders inter se as shareholders of the Offeror and in the conduct of the business and affairs of the Offeror (including the Offer).*

*As the Offeror and the Offeror Shareholders intend and desire that there be continuity of management and minimal interruption to the business of the Company, the Offeror and the Offeror Shareholders had agreed under the SHA that after the completion of the Offer and subject to the Company having been delisted following the completion of the Offer, the Company shall enter into a new service agreement (each, a "**New Service Agreement**") with each Promoter. Each New Service Agreement will be on substantially the same terms as their respective existing service agreement, and will commit the relevant Promoter to a minimum initial term of four (4) years from the date of the New Service Agreement; and*

*(b) each of the Promoters had provided an irrevocable undertaking in favour of the Offeror (each, a "**Promoter's Irrevocable Undertaking**" and collectively, the "**Promoters' Irrevocable Undertakings**") pursuant to which he will undertake and/or agree, inter alia:*

(i) to accept the Offer in respect of all the Shares held by him, details of which are set out in paragraph 4.3 above;

*(ii) that the total cash consideration payable by the Offeror for such acceptance by him in respect of the Shares held by him (each, the "**Set-Off Amount**" and collectively, the "**Set-Off Amounts**") will be regarded as an interest-free shareholder loan extended by him to the Offeror, such that no cash consideration shall be payable by the Offeror to him pursuant to his acceptance of the Offer in respect of such Shares; and*

(iii) to waive his rights under Rule 30 of the Code to receive any cash settlement or payment for the acceptance of the Offer.

Pursuant to the terms of the SHA, the Offeror Shareholders have agreed, inter alia, that:

(A) save for the Promoters' Irrevocable Undertakings and the Deed of Transfer, all matters relating to the Offer will require the unanimous approval of the Sponsor and the Promoters;

*(B) each Promoter shall contribute to the Offeror his respective shareholding proportion inter se of the funds that will be utilised for the Transaction (the "**Total Commitment**") which shall comprise (1) the Set-Off Amount and (2) a cash amount representing the amount by which his shareholding proportion inter se of the Total Commitment exceeds the Set-Off Amount. The Sponsor shall contribute to the Offeror its shareholding proportion inter se of the Total Commitment in cash;*

(C) following the completion of the Transaction:

(1) a portion of the Total Commitment as set out in the foregoing paragraph 4.4(B) will be converted into additional Offeror Shares for the Sponsor and the Promoters in accordance with their respective shareholding proportion inter se; and

(2) the remaining amount of the Total Commitment after the deduction of the amount set out in paragraph 4.4(C)(1) above will remain as shareholder loans;

*(D) save for the pledging of the Offeror Shares as security in connection with the (1) loans extended by the Sponsor to the Promoters to finance part of the Total Commitment and (2) external loans and credit facilities to be obtained by the Offeror to repay the shareholder loans described in paragraph 4.4(C)(2) above (the "**External Financing**"), each Promoter undertakes to the Sponsor that, as long as the Sponsor holds Offeror Shares during the period commencing on the date of the SHA and ending on the third (3rd) anniversary of the completion of the Transaction, such Promoter shall not dispose of or create encumbrances over the Offeror Shares that he owns without the prior approval of the Sponsor;*

*(E) following the completion of the Transaction, the number of directors on the board of directors of the Offeror (the "**Offeror Directors**") shall not be more than five (5). Under the SHA, the Sponsor shall be entitled to request the appointment of two (2) Offeror Directors and the Promoters (acting jointly) shall be entitled to request the appointment of three (3) Offeror Directors, who shall include JHYP and JTTC; and*

(F) in the event the Company remains listed following the close of the Offer, subject to:

(1) the repayment in full of the loans extended by the Sponsor and the release and discharge of the charges over the Promoters' Offeror Shares in favour of the Sponsor as set out in paragraph 4.4(D) above;

(2) the External Financing (if taken up by the Offeror) having been repaid in full by the Offeror;

(3) all applicable laws; and

(4) any instrument, contract, document or agreement to which the Offeror is a party or by which its assets are bound (including the SHA),

*the Offeror Shareholders shall (at the Sponsor's option) procure that the Offeror makes an in-specie distribution of all the Shares then held by the Offeror to the Promoters and the Sponsor in their respective shareholding proportion inter se by way of dividend, to the extent permitted under applicable laws (the "**In-Specie Distribution**"). Thereafter, each Promoter undertakes to the Sponsor that during the period commencing on the date of the completion of the In-Specie Distribution and ending on the fifth (5th) anniversary of the close of the Offer, the Promoters shall not sell, transfer, mortgage, charge, pledge, grant an option over, or otherwise dispose of or create encumbrances over the Shares that they own without the prior written approval of the Sponsor.*

The SIC has confirmed that the Consortium Arrangements do not constitute special deals for the purpose of Rule 10 of the Code.

4.5 ***Shareholding in the Offeror***

The shareholding in the Offeror will be maintained at the shareholding proportions set out in paragraph 4.1 above until the close of the Offer."

6. PROMOTERS' IRREVOCABLE UNDERTAKINGS

The information on the Promoters' Irrevocable Undertakings as set out below in italics have been extracted from paragraph 5 of the Offer Document. Unless otherwise defined, all terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document.

*"**5. <u>PROMOTERS' IRREVOCABLE UNDERTAKINGS</u>***

*5.1 **Details of the Promoters' Irrevocable Undertakings***

As at the Latest Practicable Date, JHYP holds 46,792,849 Shares, representing approximately 21.25% of the total number of Shares and JTTC holds 666,666 Shares, representing approximately 0.30% of the total number of Shares. Each of JTTC and JHYP has executed a Promoter's Irrevocable Undertaking dated 21 January 2021 in favour of the Offeror, pursuant to which each of them has undertaken, inter alia, to accept the Offer in respect of all the Shares held by him.

Details of the Promoters' shareholding in the Company which will be tendered in acceptance of the Offer by each Promoter pursuant to his Promoter's Irrevocable Undertaking are as follows:

Promoter	***Number of Shares to be tendered in acceptance of the Offer***	***Percentage of the total number of Shares[(1)]***
JHYP	*46,792,849[(2)]*	*21.25%*
JTTC	*666,666*	*0.30%*
Total	*47,459,515*	*21.56%*

Notes:

(1) Based on the Company's issued share capital of 220,169,774 Shares as at the Latest Practicable Date.

(2) Includes the WBK Shares, which were transferred by WBK to JHYP on 27 January 2021, for a nominal consideration of S$1.00 in aggregate.

*5.2 **Termination of the Promoters' Irrevocable Undertakings***

Each Promoter's Irrevocable Undertaking will terminate or lapse if the Offer is withdrawn or lapses, or fails to become or be declared to be unconditional in all respects for whatever reason, other than due to a breach by the relevant Promoter of any of his obligations under such Promoter's Irrevocable Undertaking.

*5.3 **No Other Irrevocable Undertakings***

Save for the Promoters' Irrevocable Undertakings, as at the Latest Practicable Date, neither the Offeror nor any person acting in concert with the Offeror has received any irrevocable undertaking from any other party to accept or reject the Offer.

5.4 As at the Latest Practicable Date, the number of Shares owned, controlled or agreed to be acquired by the Offeror and persons acting in concert with it, together with the total number of Shares to which the Promoters' Irrevocable Undertakings relate, is an aggregate of 69,421,748 Shares, representing approximately 31.53% of the total number of Shares.*"*

7. RATIONALE FOR THE OFFER AND THE OFFEROR'S INTENTIONS FOR THE COMPANY

The full text of the rationale for the Offer and the Offeror's intentions for the Company have been extracted from paragraphs 6 and 8.3 of the Offer Document respectively and is set out in italics below. Unless otherwise defined, all terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document. **Shareholders are advised to read the extract below carefully.**

*"**6. RATIONALE FOR THE OFFER***

*6.1 **Low Trading Liquidity of Shares***

*The trading volume of the Shares has been low, with an average daily trading volume[1] of approximately 173,350 Shares, 104,798 Shares, 120,123 Shares and 279,521 Shares during the respective one (1)-month period, three (3)-month period, six (6)-month period and twelve (12)-month period up to and including 18 December 2020 (the "**Last Trading Day**"), being the last full Market Day immediately before the Company released the announcement in respect of a possible transaction involving the Shares on 21 December 2020 (the "**Holding Announcement Date**"). Each of these represents less than 0.13% of the total number of Shares for any of the aforementioned relevant periods.*

The Offer therefore provides Shareholders who find it difficult to exit the Company as a result of the low trading volume of the Shares with an opportunity to liquidate and realise their investments in the Shares at a premium over the prevailing market prices which would otherwise not be available given the low trading liquidity of the Shares.

*6.2 **Offer Price at a Premium over the Last Transacted Share Price***

The Offer Price represents a premium of 30.00% over the last transacted price per Share of S$0.500 on 18 December 2020, being the last Market Day on which the Shares were transacted prior to the Holding Announcement Date.

*When compared to the benchmark prices of the Shares up to and including the Last Trading Day, the Offer Price also represents a premium of approximately 35.70%, 42.54%, 44.44% and 17.54% over the volume weighted average price ("**VWAP**") per Share for the one (1)-month, three (3)-month, six (6)-month and twelve (12)-month periods, respectively.*

The Offer presents Shareholders with a clean cash exit opportunity to realise their entire investment in the Shares at a premium over the prevailing trading prices of the Shares without incurring brokerage and other trading costs.

*6.3 **Greater Management Flexibility***

The Offeror is making the Offer with a view to delisting the Company from the Mainboard of the SGX-ST and exercising any rights of compulsory acquisition that may arise under Section 215(1) of the Companies Act. The Offeror believes that privatising the Company will give the Offeror and the management of the Company more flexibility to manage the business of the Company, optimise the use of its management and capital resources and facilitate the implementation of any operational change.

*6.4 **Compliance Costs of Maintaining Listing***

In maintaining its listed status, the Company incurs compliance and associated costs. In the event that the Company is delisted from the SGX-ST, the Company will be able to save on expenses relating to the maintenance of a listed status and focus its resources on its business operations."

…

"8.3 ***Offeror's Intentions***

The Offeror intends to make the Company its wholly-owned subsidiary and does not intend to preserve the listing status of the Company. Accordingly, the Offeror, if and when entitled, intends to exercise its rights of Compulsory Acquisition and does not intend to take any step for the public float to be restored and/or for any trading suspension of the Shares by the SGX-ST to be lifted in the event that, inter alia, less than 10% of the total number of Shares (excluding any Shares held in treasury) are held in public hands.

*In addition, the Offeror also reserves the right to seek a voluntary delisting of the Company from the SGX-ST pursuant to Rules 1307 and 1309 of the Listing Manual (collectively, the "**Voluntary Delisting Rules**"). Without prejudice to the foregoing, if the Offeror receives, as at the Closing Date, valid acceptances of the Offer from Shareholders (other than persons acting in concert with the Offeror) (the "**Independent Shareholders**") representing at least 75% of the total number of Shares held by the Independent Shareholders and subject to substantive compliance with the other requirements set out in the Voluntary Delisting Rules, the Offeror intends to seek the SGX-ST's waiver from strict compliance with such Voluntary Delisting Rules.*

In the event that the public float is lost and the Offeror is unable to exercise its rights of Compulsory Acquisition or the Company is unable to meet the requirements set out in the Voluntary Delisting Rules, the trading of the Shares may be subjected to a prolonged period of suspension.

Subject to normal business conditions and other than in the normal course of business, the Offeror does not intend to (a) make major changes to the business of the Company or its management team; (b) re-deploy the fixed assets of the Company; or (c) discontinue the employment of the employees of the Group. Nonetheless, the Offeror retains the flexibility at any time to consider any options or opportunities which may present themselves and which the Offeror may regard to be in the interests of the Company."

8. ASSESSMENT OF THE FINANCIAL TERMS OF THE OFFER

In assessing the fairness and reasonableness or otherwise of the financial terms of the Offer, we have considered the following factors which we consider to be pertinent and to have a significant bearing on our assessment of the Offer:

(i) Historical market price performance and trading activity of the Shares;

(ii) Share price performance relative to market indices;

(iii) Historical financial information of the Group;

(iv) Net asset value ("**NAV**") per Share;

(v) Revalued net asset value ("**RNAV**") per Share;

(vi) Historical trailing price-to-NAV ("**P/NAV**") ratio of the Shares;

(vii) Analysts' estimates and price targets for the Company;

(viii) Valuation ratios of selected listed companies broadly comparable to the Group;

(ix) Precedent privatisation and delisting transactions in Singapore; and

(x) Dividend track record of the Company and selected alternative investments.

We have also considered other relevant considerations which have a significant bearing on our assessment as set out in paragraph 9 of this letter.

The figures, underlying financial and market data used in our analysis, including securities prices, trading volumes, free float data and foreign exchange rates have been extracted from Bloomberg L.P., SGX-ST and other public filings as at the Latest Practicable Date or as provided by the Company where relevant. PPCF makes no representation or warranties, express or implied, as to the accuracy or completeness of such information.

8.1 Historical market price performance and trading activity of the Shares

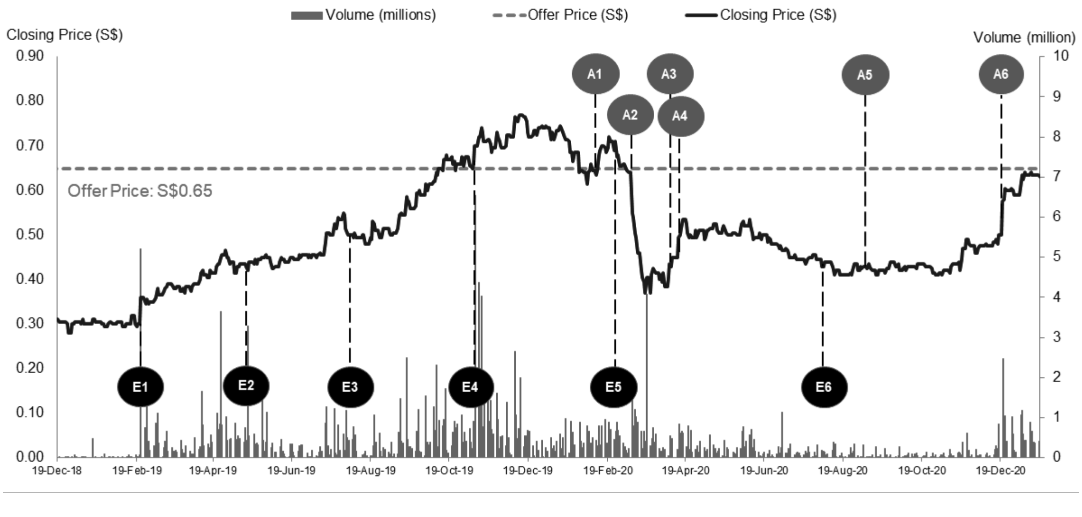
On 21 December 2020 (the "**Holding Announcement Date**"), the Company announced that the Directors have been notified by JHYP and JTTC that they are in non-binding discussions with a potential investor in relation to a possible transaction involving the Shares ("**Holding Announcement**"). There is no certainty that any specific or definitive agreement will be entered into or that any transaction will materialise from the on-going discussions. Accordingly, we recognise that 18 December 2020 could be considered the last full trading day prior to any indication of a possible transaction involving the Shares.

The Offer Announcement was made on 21 January 2021, being the Offer Announcement Date. Trading in the Shares was halted for 2 full days on 20 January 2021 and 21 January 2021.

In our evaluation of the historical market price performance and trading activity of the Shares, we considered the historical share price performance of the Company over the 2-year period from 19 December 2018 up to 18 December 2020, being the last full trading day prior to the release of the Holding Announcement, and from the Holding Announcement Date up to the Latest Practicable Date.

We set out below the daily closing price and trading volume of the Shares for the 2-year period up to and including 18 December 2020, being the last full trading day prior to the release of the Holding Announcement, and from the Holding Announcement Date up to and including the last full trading day prior to the release of the Offer Announcement, being 19 January 2021[1] (the "**Last Trading Day**"). We have also marked certain dates in the above-mentioned period where significant events have occurred.

Daily closing price and daily trading volume of the Shares for the 2-year period up to and including the last full trading day prior to the release of the Holding Announcement, and from the Holding Announcement Date up to and including the Last Trading Day



Source: Bloomberg L.P., Company announcements and news articles

[1] As the Company had requested for a trading halt on 20 January 2021 prior to the open of trading on that day, 19 January 2021 would be the last full trading day prior to the Offer Announcement Date.

Significant Announcements:

A1. **11 February 2020.** The Company announced that it had entered into a memorandum of understanding ("**MoU**") with strategic project partners, BOS Offshore & Marine Pte Ltd, Danfoss, Durapower Technology (Singapore) Pte Ltd and Bureau Marine (Singapore) Pte Ltd for the joint design, development and construction of Singapore's first plug-in hybrid electric fast launch. The scope of cooperation includes integrating hybrid electric solutions, testing and certification. The know-how generated will support Singapore's push towards the adoption of hybrid electric propulsion systems for its maritime industry. Under the MoU, the Company will design, construct and commission a newbuild hybrid launch boat installed with a system developed by BOS Offshore & Marine Pte Ltd. The Company will own and operate the vessel on commercial routes. The vessel is expected to be delivered in the first or second quarter of 2020.

A2. **9 March 2020.** Equity markets globally plunged on Monday, 9 March 2020[2] as investors fled to bonds to hedge the economic shock of the Covid-19 pandemic and the plunge in oil prices after an all-out price war erupted among the world's biggest oil producers including Russia and Saudi Arabia. As a background, the price war was triggered[3] by a break-up in dialogue between the Organization of the Petroleum Exporting Countries ("**OPEC**") and Russia over proposed oil-production cuts in the midst of the COVID-19 pandemic. On this day, the Straits Times Index closed down by approximately 6%.

A3. **9 April 2020.** The Company announced that it had entered into a Sale and Purchase Agreement ("**SPA**") with Allianz Middle East Inc (the "**Vendor**") to acquire 100% shareholding interest in the issued share capital of Swissco Offshore (Pte). Ltd.("**SOPL**") for a total consideration of US$1.4 million, subject to the fulfilment of the specified terms and conditions set forth in the SPA ("**Proposed Acquisition of SOPL**"). SOPL owns the leasehold granted by JTC Corporation over a property at 21 Tuas Road, Singapore 638489 (the "**Tuas Property**"). As the Company's lease at its present premises at 18 Tuas Basin Link will be expiring in end 2021, the Board of Directors of the Company are of the view that the Proposed Acquisition of SOPL presents an opportunity for the Company to lease a suitable replacement waterfront property for the growing shipbuilding and repair activities over the long term. With an estimated land area of 26,000 sqm and a 100m waterfront, the Tuas Property is 120% larger than the Company's present premises. With the Proposed Acquisition of SOPL, the Company plans to develop a dedicated one-stop aluminium shipbuilding hub that will design, build and maintain larger and more complex vessels for a growing local and international client base.

A4. **16 April 2020.** The Company announced that it will be ceasing quarterly reporting of its financial results with immediate effect following the amendments to the SGX Mainboard Listing Rules which took effect from 7 February 2020.

A5. **7 September 2020.** In relation to the 9 April 2020 announcement mentioned in point A3 above, the Company announced that the Proposed Acquisition of SOPL was completed on 7 September 2020.

A6. **21 December 2020.** The Company released a Holding Announcement that the Directors have been notified by JHYP and JTTC that they are in non-binding discussions with a potential investor in relation to a possible transaction involving the Shares. There is no certainty that any specific or definitive agreement will be entered into or that any transaction will materialise from the on-going discussions.

Earnings Announcements:

E1. **21 February 2019.** The Company announced its unaudited results for the financial year ended 31 December ("**FY**") 2018. The Group's revenue had increased by 34.5% from approximately S$79.76 million in FY2017 to approximately S$107.27 million in FY2018. This increase was due mainly to an increase in shipbuilding and chartering activities. The Group's gross profit had increased by 73.2% from approximately S$19.46 million in FY2017 to approximately S$33.71 million in FY2018. This increase was due mainly to higher contributions from shipbuilding and chartering activities. As a result, the Group posted a net profit after tax of approximately S$13.58 million in FY2018, as compared to a profit of approximately S$2.28 million in FY2017.

E2. **15 May 2019.** The Company announced its unaudited results for the financial period ended 31 March ("**1Q**") 2019. The Group's revenue had decreased by 39.1% from approximately S$25.95 million in 1Q2018 to approximately S$15.81 million in 1Q2019. The decrease was due mainly to a decrease in the sale of stock crewboats and was partially offset by an increase in chartering activities. The Group's gross profit declined by 19.9% from approximately S$6.85 million in 1Q2018 to approximately S$5.48 million in 1Q2019 due mainly to a decrease in revenue from the sale of stock crewboats. As a result, the Group posted a net profit of approximately S$0.91 million in 1Q2019, compared to a profit of approximately S$2.10 million in 1Q2018.

E3. **5 August 2019.** The Company announced its unaudited results for the financial period ended 30 June ("**1H**") 2019. The Group's revenue had increased by 48.7% from approximately S$45.69 million in 1H2018 to approximately S$67.94 million in 1H2019. This increase was due mainly to an increase in the number of stock vessels sold, as well as an improvement in the utilisation rate and charter rates of the Group's Flex crewboats. The Group's gross profit increased by 46.1% from approximately S$12.93 million in 1H2018 to approximately S$18.89 million in 1H2019 mainly due to higher contributions from both shipbuilding and chartering activities. As a result, the Group posted a net profit of approximately S$8.37 million in 1H2019, compared to a net profit of approximately S$5.66 million in 1H2018.

[2] Extracted from https://www.straitstimes.com/business/companies-markets/asia-shares-sink-as-coronavirus-panic-grips-oil-prices-plunge-sti-opens on the Latest Practicable Date.

[3] Extracted from https://edition.cnn.com/2020/03/08/investing/oil-prices-crash-opec-russia-saudi-arabia/index.html on the Latest Practicable Date.

E4. **7 November 2019.** The Company announced its unaudited results for the financial period ended 30 September ("**3Q**") 2019.The Group's revenue had increased by 48.4% from approximately S$65.42 million in 3Q2018 to approximately S$97.05 million in 3Q2019. This increase was due mainly to an increase in the number of stock vessels sold, as well as an improvement in charter rates and increase in fleet size of the Group's Flex crewboats. The Group's gross profit had increased by 48.3% from approximately S$19.80 million in 3Q2018 to approximately S$29.36 million in 3Q2019. As a result, the Group posted a net profit of approximately S$13.95 million in 3Q2019, compared to a net profit of approximately S$6.32 million in 3Q2018.

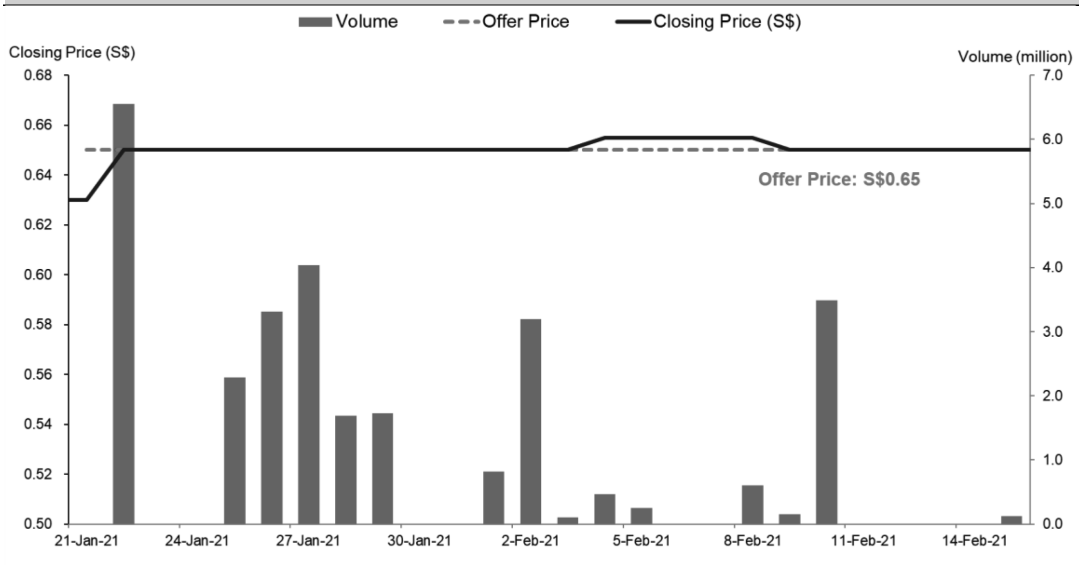
E5. **25 February 2020.** The Company announced its unaudited results for FY2019. The Group's revenue had increased by 27.1% from approximately S$107.27 million in FY2018 to approximately S$136.34 million in FY2019. This increase was due mainly to an increase in the number of stock vessels sold year-on-year, as well as growing fleet of owned-and-operated crewboats that are enjoying improved utilisation and charter rates. The Group's gross profit increased by 21.2% from approximately S$33.71 million in FY2018 to approximately S$40.86 million in FY2019. As a result, the Group posted a net profit of approximately S$19.41 million in FY2019, compared to a net profit of approximately S$13.58 in FY2018.

E6. **6 August 2020.** The Company announced its unaudited results for 1H2020. The Group's revenue had decreased by 26.2% from approximately S$67.94 million in 1H2019 to approximately S$50.14 million in 1H2020. This decline was due mainly to fewer stock vessels sold and a decrease in chartering activities over the period as the Group's business was negatively affected by the Covid-19 pandemic and weak oil prices. The Group's gross profit decreased by 32.9% from approximately S$18.15 million in 1H2019 to approximately S$12.63 million in 1H2020. As a result, the Group posted a net profit of approximately S$3.91 million in 1H2020, compared to a net profit of approximately S$8.37 million in 1H2019.

Based on the chart above, we note that over the 2-year period up to and including the last full trading day prior to the release of the Holding Announcement, and from the Holding Announcement Date up to and including the Last Trading Day, save for the period between 15 October 2019 and 6 March 2020 where the closing prices of the Shares had mostly been above the Offer Price, the closing prices of the Shares had consistently been below the Offer Price.

We set out below the daily closing price and daily trading volume of the Shares for the period after the Offer Announcement Date up to the Latest Practicable Date.

Daily closing price and daily trading volume of the Shares for period after the Offer Announcement Date up to the Latest Practicable Date



Source: *Bloomberg L.P.*

Based on charts above, we note that the last transacted price of the Shares on 19 January 2021 (being the Last Trading Day) was S$0.63. On 22 January 2021 (being the Market Day after the Offer Announcement Date and the lifting of the trading halt), the price of the Shares rose to close at S$0.65. From 22 January 2021 to the Latest Practicable Date, the daily closing prices were between S$0.650 and S$0.655, representing a premium of up to 0.8% to the Offer Price.

We have also set out below the premium implied by the Offer Price over the historical volume weighted average price ("**VWAP**") and historical trading volume of the Shares from 19 December 2018 (being the 2-year period up to and including the last full trading day prior to the release of the Holding Announcement) up to and including the Latest Practicable Date.

Premium implied by the Offer Price over VWAP[(1)]						
	VWAP (S$)	Premium of Offer Price over VWAP (%)	Highest traded price (S$)	Lowest traded price (S$)	Average daily traded volume[(2)] ('000)	Average daily traded volume[(2)] as a percentage of free float[(3)] (%)
Periods up to and including the last full trading day prior to the release of the Holding Announcement						
2-year	0.557	16.7	0.790	0.260	394	0.30
1-year	0.551	18.0	0.760	0.355	262	0.20
6-month	0.450	44.4	0.505	0.405	113	0.09
3-month	0.456	42.5	0.500	0.410	105	0.08
1-month	0.480	35.4	0.500	0.435	173	0.13
18 December 2020, being the last full trading day prior to the release of the Holding Announcement	0.500	30.0	0.500[(4)]	0.480[(4)]	840	0.64
Periods after the release of the Holding Announcement up to and including the Last Trading Day						
From 21 December 2020 (being the Holding Announcement Date) to 19 January 2021 (the Last Trading Day)	0.609	6.7	0.655	0.560	703	0.53
Last Trading Day	0.630	3.2	0.640[(5)]	0.630[(5)]	496	0.38
Periods after the Offer Announcement Date up to and including the Latest Practicable Date						
Period between 22 January 2021 and the Latest Practicable Date	0.650	0.0	0.655	0.650	1,801	1.36
Latest Practicable Date	0.650	0.0	0.655[(6)]	0.650[(6)]	123	0.09

Source: Bloomberg L.P.

Notes:

(1) VWAP is calculated based on the aggregate daily turnover value of the Shares and aggregate daily traded volume of the Shares for the relevant trading days for each relevant period as obtained from Bloomberg L.P,, excluding off-market transactions;

(2) The average daily traded volume of the Shares is calculated based on the total volume of Shares traded during the relevant periods, divided by the number of market days (excluding days with full day trading halts on the Shares) during that relevant period;

(3) Free float refers to approximately 132,082,343 Shares, representing approximately 59.99% of the issued Shares held by the public (as defined under the Listing Manual) as extracted from Bloomberg L.P. as at the Latest Practicable Date;

(4) On 18 December 2020, being the last full trading day prior to the release of the Holding Announcement, the highest intra-day traded price was S$0.500 and the lowest intra-day traded price was S$0.480;

(5) On 19 January 2021 (being the Last Trading Day), the highest intra-day traded price was S$0.640 and the lowest intra-day traded price was S$0.630; and

(6) On 15 February 2021 (being the Latest Practicable Date), the highest intra-day traded price was S$0.655 and the lowest intra-day trade price was S$0.650.

Based on the above, we note the following:

(i) The Offer Price of S$0.65 is within the range of the closing prices of the Shares traded over the 2-year period up to and including the last full trading day prior to the release of the Holding Announcement, which is between a low of S$0.260 and a high of S$0.790;

(ii) The Offer Price represents a premium of approximately 16.7%, 18.0%, 44.4%, 42.5% and 35.4% over the VWAP of the Shares for the 2-year, 1-year, 6-month, 3-month and 1-month period up to and including the last full trading day prior to the release of the Holding Announcement respectively;

(iii) The Offer Price represents a premium of approximately 30.0% over the closing price of the Shares of S$0.500 on 18 December 2020, being the last full trading day prior to the release of the Holding Announcement;

(iv) Between the Holding Announcement Date and the Last Trading Day, the Offer Price represents a premium of approximately 6.7% to the VWAP of the Shares of approximately S$0.609;

(v) The Offer Price represents a premium of approximately 3.2% over the closing price of the Shares of S$0.630 on the Last Trading Day;

(vi) Between the Offer Announcement Date and the Latest Practicable Date, the Offer Price is at the VWAP of the Shares of approximately S$0.650;

(vii) The Offer Price is at the closing price of the Shares of S$0.650 on the Latest Practicable Date;

(viii) During the 2-year period up to and including the last full trading day prior to the release of the Holding Announcement, the average daily traded volume of the Shares was approximately 393,904 Shares representing 0.30% of the free float. While there appears to be a ready market for the Shares as indicated by the regular frequency of transactions, the absolute traded volume of the Shares is nevertheless very thin which renders the Shares illiquid for investors who wish to undertake transactions in larger amount of Shares;

(ix) Between the Holding Announcement Date and the Last Trading Day, trading liquidity of the Shares rose to an average daily traded volume of approximately 702,540 Shares, representing approximately 0.53% of the Company's free float, as compared to the average daily traded volume of approximately 393,904 Shares over the 2-year period up to and including the last full trading day prior to the release of the Holding Announcement; and

(x) Between the Offer Announcement Date and the Latest Practicable Date, trading liquidity of the Shares rose significantly to an average daily traded volume of approximately 1,800,813 Shares, representing approximately 1.36% of the Company's free float, as compared to the average daily traded volume of approximately 393,904 Shares over the 2-year period up to and including the last full trading day prior to the release of the Holding Announcement.

Based on the above observations, it appears likely that the market price and the trading volume of the Shares have been supported by the Offer subsequent to the Holding Announcement Date and the Offer Announcement Date. Shareholders should note that the Offer will not become or be capable of being declared unconditional until the Acceptance Condition is met. As such, there is no assurance that the market price and trading volume of the Shares will be maintained at the prevailing level as at the Latest Practicable Date after the close of the Offer.

Shareholders are advised that the historical trading performance of the Shares should not, in any way, be relied upon as an indication or a promise of its future trading performance.

8.2 Share price performance relative to market indices

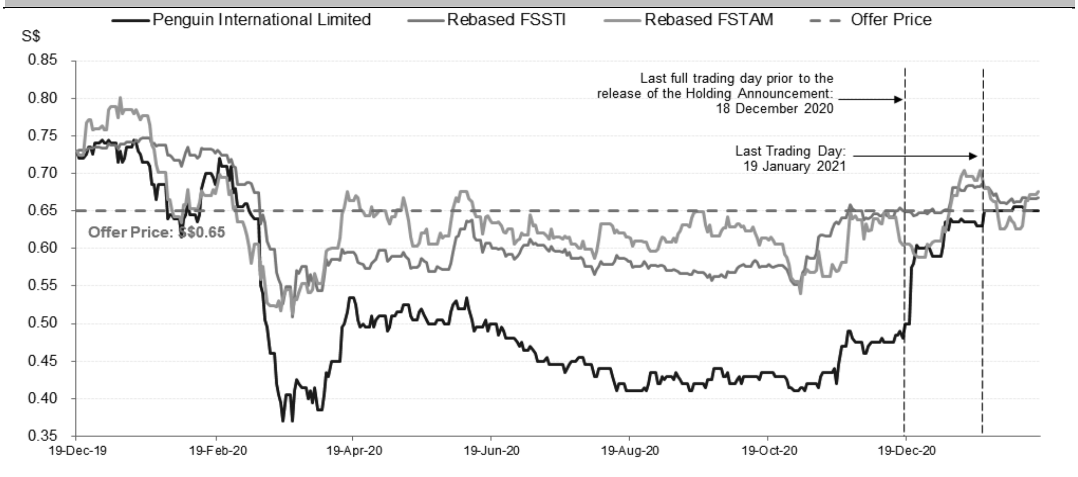
To gauge the market price performance of the Shares relative to the general share price performance of the Singapore equity market and of maritime related companies listed on the SGX-ST, we have compared the market price movement of the Shares against the following indices:

(i) The FTSE Straits Times Index (the "**FSSTI**"), which is a market capitalisation weighted index based on stocks of 30 representative companies listed on the Mainboard of the SGX-ST; and

(ii) The FTSE ST Maritime Index (the "**FSTAM**"), which is a market capitalisation weighted index that measures the performance of companies that earn a substantial proportion of their revenue from maritime related activities from the underlying FTSE ST All-Share Index.

Both the FSSTI and FSTAM have been rebased to the closing price of the Company as at the beginning of the 1-year period (being 19 December 2019) prior to the release of the Holding Announcement. The market price performance of the Shares relative to the rebased FSSTI and the rebased FSTAM for the period from 19 December 2019 up to and including the Latest Practicable Date, is illustrated below.

Share price performance against the market indices (rebased)



Source: Bloomberg L.P.

We have also set out in the table below the movements in the last transacted prices of the Shares, the rebased FSSTI and the rebased FSTAM between 18 December 2020, being the last full trading day prior to the release of the Holding Announcement and the Latest Practicable Date:

	As at 18 December 2020, being the last full trading day prior to the Holding Announcement (S$)	As at the Latest Practicable Date (S$)	Percentage Change (%)
Shares	0.500	0.650	30.0
Rebased FSSTI	0.648	0.667	2.9
Rebased FSTAM	0.606	0.676	11.6

Source: Bloomberg L.P.

Based on the above, we note the following:

(i) During the 1-year period up to and including the last full trading day prior to the release of the Holding Announcement, the Shares had generally under-performed the rebased FSSTI and the rebased FSTAM, save for the period between December 2019 and February 2020 where the Shares had either outperformed or performed in tandem with the rebased FSSTI and the rebased FSTAM; and

(ii) Between 18 December 2020, being the last full trading day prior to the release of the Holding Announcement and the Latest Practicable Date, the Shares had outperformed the rebased FSSTI and the rebased FSTAM, having increased by 30.0% as compared to the increase of 2.9% in the rebased FSSTI and the increase of 11.6% in the rebased FSTAM over the same period.

It appears likely that the market price of the Shares is likely to have been supported by the Offer subsequent to the Holding Announcement Date. As such, there is no assurance that the market price of the Shares will be maintained at the prevailing level as at the Latest Practicable Date after the close of the Offer.

8.3 Historical financial information of the Group

8.3.1 Historical financial performance of the Group

For the purpose of evaluating the financial terms of the Offer, we have considered the Group's audited financial statements for FY2018, FY2019 and the Group's unaudited financial statements for FY2020.

A summary of the financial results of the Group for FY2018, FY2019 and FY2020 is set out in the table below. The following summary financial information should be read in conjunction with the full text of the annual reports and results announcements of the Group in respect of the relevant financial years including the notes thereto.

Summary Consolidated Income Statement (S$'000)	FY2018 (Audited)	FY2019 (Audited)	FY2019 (Unaudited) (Reclassified)[1]	FY2020 (Unaudited)
Revenue	**107,268**	**136,337**	**136,337**	**119,417**
Gross profit	**33,707**	**40,861**	**40,570**	**33,498**
Gross profit margin	*31.4%*	*30.0%*	*29.8%*	*28.1%*
Profit before tax ("PBT")	**15,497**	**19,961**	**19,961**	**15,364**
PBT margin	*14.4%*	*14.6%*	*14.6%*	*12.9%*
Profit for the year ("NPAT")	**13,582**	**19,414**	**19,414**	**13,207**
NPAT margin	*12.7%*	*14.2%*	*14.2%*	*11.1%*

Summary Consolidated Income Statement (S$'000)	**FY2018 (Audited)**	**FY2019 (Audited)**	**FY2019 (Unaudited) (Reclassified)(1)**	**FY2020 (Unaudited)**
Profit for the year attributable to owners of the Company	**13,583**	**19,415**	**19,415**	**13,208**
Net profit margin (excludes non-controlling interests)	*12.7%*	*14.2%*	*14.2%*	*11.1%*

Sources: The Company's annual reports for FY2018 and FY2019 and the results announcement of the Group for FY2020.

Note:

(1) In the Company's results announcement for FY2020, the comparative figures for the Group's cost of sales, administrative expenses and finance costs had been reclassified. The depreciation of right-of-use assets of approximately $0.28 million and interest expenses on lease liabilities of approximately S$0.02 million in relation to lease of worker dormitories that were previously classified as administrative expense and finance costs in FY2019 respectively had been reclassified to cost of sales to provide a more meaningful comparison of costs.

Revenue of the Group by business segments (S$'000)	**FY2018 (Audited)**	**FY2019 (Audited)**	**FY2020 (Unaudited)**
Shipbuilding, ship repair and maintenance	**82,540**	**108,417**	**97,743**
Percentage of revenue	*76.9%*	*79.5%*	*81.9%*
Chartering	**24,728**	**27,920**	**21,674**
Percentage of revenue	*23.1%*	*20.5%*	*18.1%*
Revenue	**107,268**	**136,337**	**119,417**

Sources: The Company's annual reports for FY2018 and FY2019 and the results announcement of the Group for FY2020.

FY2019 as compared to FY2018

The Group's revenue had increased by approximately S$29.07 million or 27.1% from approximately S$107.27 million in FY2018 to approximately S$136.34 million in FY2019. The increase in revenue was due mainly to an increase in the number of stock vessels sold year-on-year, as well as a growing fleet of owned-and-operated crewboats that are enjoying increased utilisation and charter rates.

The Group's gross profit had increased by approximately S$7.15 million or 21.2% from approximately S$33.71 million in FY2018 to approximately S$40.86 million in FY2019. This increase was in line with the increase in revenue. However, the gross profit margin had decreased slightly from approximately 31.4% in FY2018 to approximately 30.0% in FY2019. This decrease was due to lower margins from the shipbuilding activities which was partially offset by an improvement in margins from chartering activities.

As a result of higher revenue and gross profit, the Group's profit before tax increased by approximately S$4.46 million or 28.8% from approximately S$15.50 million in FY2018 to approximately S$19.96 million in FY2019.

The Group recorded an income tax expense of approximately S$1.92 million in FY2018 and approximately S$0.55 million in FY2019. The lower income tax expense was due mainly to a tax refund for prior years' tax assessments arising from R&D tax incentives.

As a result of the above, the Group posted profit for the year attributable to owners of the Company of approximately S$19.42 million in FY2019, compared to a profit of approximately S$13.58 million in FY2018.

FY2020 as compared to FY2019 (reclassified)

The Group's revenue had decreased by approximately S$16.92 million or 12.4% from approximately S$136.34 million in FY2019 to approximately S$119.42 million in FY2020. The decline was due mainly to fewer stock vessels sold and a decrease in chartering activities over the period where the Group's business has been negatively affected by the Covid-19 pandemic and weak oil prices. Demand for new vessels had weakened and crewboat charter rates and utilisation rates had fallen.

In FY2020, the Group delivered 27 new vessels, of which 14 were built for stock and chartering, and 13 were built to order. This is in contrast to FY2019 where the Group had delivered 32 new vessels of which 19 were built for stock and chartering and 13 were built to order.

The Group's gross profit had decreased by approximately S$7.07 million or 17.4% from approximately S$40.57 million in FY2019 to approximately S$33.50 million in FY2020. The decrease was due mainly to lower contribution from shipbuilding and chartering activities over the period.

The Group recorded income tax expense of approximately S$0.55 million in FY2019 and approximately S$2.16 million in FY2020. The increase in income tax expense was due mainly to lower R&D tax incentives.

As a result of the above, the Group posted net profit attributable to owners of the Company of approximately S$13.21 million in FY2020, compared to a profit of approximately S$19.42 million in FY2019.

8.3.2 Historical financial position of the Group

The unaudited statement of financial position of the Group as at 31 December 2020 is set out in the table below. The following statement of financial position of the Group should be read in conjunction with the full text of the results announcements of the Group in respect of FY2020 including the notes thereto.

Summary of Statement of Financial Position (S$'000)	**As at 31 December 2020 (Unaudited)**
Non-current assets	
Intangible asset	78
Property, plant and equipment	100,451
Right-of-use assets	8,984
Quoted investment	3,157
Other receivable	2,345
Total non-current assets	115,015
Current assets	
Inventories	57,344
Trade receivables	10,120
Other receivables and deposits	12,692
Contract assets	1,695
Prepayments	409
Short-term deposits	4,201
Cash and bank balances	35,775
Total current assets	122,236
Total assets	**237,251**

Summary of Statement of Financial Position (S$'000)	As at 31 December 2020 (Unaudited)
Current liabilities	47,352
Non-current liabilities	15,264
Total equity	174,635
Total liabilities and equity	**237,251**

Source: The results announcement of the Group for FY2020.

Total Assets

As at 31 December 2020, the Group has total assets of approximately S$237.25 million comprising non-current assets of approximately S$115.02 million, representing 48.5% of total assets and current assets of approximately S$122.24 million, representing 51.5% of total assets.

The non-current assets of the Group comprised mainly property, plant and equipment ("**PPE**") of approximately S$100.45 million, right-of-use assets of approximately S$8.98 million and quoted investment of approximately S$3.16 million, representing approximately 87.3%, 7.8% and 2.7% of total non-current assets respectively.

Out of the PPE of approximately S$100.45 million as at 31 December 2020, motor launches ("**Motor Launches**") accounted for approximately S$60.32 million and (i) the Tuas Property, being 21 Tuas Road, Singapore 638489; (ii) a leasehold building, being a shipyard located in Kawasan Industri Sekupang, Kelurahan Tanjung Riau, Kecamatan Sekupang, Kota Batam, Provinsi Kepulauan Riau, Kode Pos: 29425 ("**Indonesia Shipyard**"); and (iii) a land parcel at Pulau Seloko – Tanjung Uncang, Kelurahan Tanjung Riau, Kecamatan Sekupang, Kota Batam, Provinsi Kepulauan Riau, Kode Pos: 29425 ("**Seloko Land**"), collectively accounted for approximately S$13.84 million.

Out of the right-of-use assets of approximately S$8.98 million as at 31 December 2020, the leasehold land for the Tuas Property leased from JTC accounted for approximately S$7.92 million.

The quoted investment of approximately S$3.16 million as at 31 December 2020 relates to the Group's investment in Marco Polo Marine Ltd ("**Marco Polo**"), a company listed on the Mainboard of the SGX-ST.

As at 31 December 2020, the current assets of the Group comprised mainly inventories of approximately S$57.34 million, short term deposits of approximately S$4.20 million and cash and cash equivalents of approximately S$35.78 million, representing approximately 46.9%, 3.4% and 29.3% of total current assets respectively.

Liabilities and equity

As at 31 December 2020, the Group has total liabilities of approximately S$62.62 million comprising mainly trade payables of approximately S$18.77 million, other payables and accruals of approximately S$22.31 million, current and non-current lease liabilities of approximately S$9.13 million and current and non-current term loans of approximately S$4.46 million, representing approximately 30.0%, 35.6%, 14.6% and 7.1% of total liabilities respectively.

Total equity attributable to owners of the Company as at 31 December 2020 was approximately S$174.64 million.

8.3.3 Historical cash flow of the Group

A summary of the cash flows of the Group for FY2018, FY2019 and FY2020 is set out in the table below. The following summary financial information should be read in conjunction with the full text of the annual reports and results announcements of the Group in respect of the relevant financial years including the notes thereto.

Summary Consolidated Statement of Cash Flows (S$'000)	FY2018 (Audited)	FY2019 (Audited)	FY2020 (Unaudited)
Net cash from/ (used in) operating activities	13,424	30,589	(5,359)
Net cash (used in) investing activities	(7,170)	(8,589)	(14,330)
Net cash (used in) financing activities	(3,713)	(5,656)	(2,831)
Net increase/(decrease) in cash and cash equivalents	**2,541**	**16,344**	**(22,520)**

Sources: The Company's annual reports for FY2018 and FY2019 and the results announcement of the Group for FY2020.

FY2018

The net cash of approximately S$13.42 million from operating activities was mostly generated by the Group's shipbuilding activities.

The net cash of approximately S$7.17 million used in investing activities arose mostly from the addition of new vessels into the Group's operating fleet and an investment in quoted shares, which was partially offset by the sale of vessels from the Group's operating fleet.

The net cash of approximately S$3.71 million used in financing activities was due to the repayment of term loans and a dividend payment as approved by the Shareholders in its Annual General Meeting held on 24 April 2018.

As a result of the above cash movements, the Group's cash and cash equivalents increased by approximately S$2.54 million in FY2018.

FY2019

The net cash of approximately S$30.59 million from operating activities in FY2019 was mostly generated by the Group's shipbuilding and chartering activities.

The net cash of approximately S$8.59 million used in investing activities in FY2019 arose from the addition of new Flex crewboats to the Group's own operating fleet, which was partially offset by the sale of vessels from the fleet.

The net cash of approximately S$5.66 million used in financing activities in FY2019 arose from the repayment of term loans, a dividend payment as approved by the Shareholders at its Annual General Meeting held on 25 April 2019, payment of principal portion of lease liabilities and pledged deposits with licensed banks.

As a result of the above cash movements, the Group's cash and cash equivalents increased by approximately S$16.34 million in FY2019.

FY2020

In FY2020, the net cash of approximately S$5.40 million used in operating activities was used mostly in shipbuilding activities.

The net cash of approximately S$14.33 million used in investing activities in FY2020 arose from the addition of new vessels to the fleet, investment in a new shipyard at the Tuas Property and upgrading of shipbuilding facilities at the Indonesia Shipyard. This was partially offset by the sale of vessels from the Group's operating fleet.

The net cash of approximately S$2.83 million used in financing activities in FY2020 was used for the repayment of a term loan, a dividend payment as approved by the Shareholders at its Annual General Meeting held on 29 May 2020, payment for the principal portion of the lease liabilities and pledged deposits with licenced banks. This was offset by the draw down of a S$5.00 million unsecured term loan under Enterprise Singapore's Temporary Bridging Loan Programme.

As a result of the above cash movements, the Group's cash and cash equivalents decreased by approximately S$22.52 million in FY2020.

8.4 NAV per Share

The NAV of a group refers to the aggregate value of all the assets in their existing condition, net of non-controlling interests and all liabilities. The NAV approach may provide an estimate of the value of a group assuming the hypothetical sale of its assets over a reasonable period of time, the proceeds of which would first be used to settle liabilities of that group with the balance available for distribution to its shareholders. Therefore, the net assets of a group are perceived as providing support for the value of its equity. Given the asset-intensive nature of the Group's shipbuilding, ship repair and maintenance and chartering businesses, we have focused on the asset-based valuation approach (as opposed to other valuation approaches) for the purpose of evaluating the financial terms of the Offer.

Notwithstanding the foregoing, Shareholders should note that an analysis based on the NAV of the Group provides an estimate of the value of the Group based on a hypothetical scenario, and such hypothetical scenario is assumed to be made without considering factors such as, *inter alia*, time value of money, market conditions, legal and professional fees, liquidation costs, contractual obligations, any regulatory requirements and availability of potential buyers, which may in theory, alter the NAV that can be realised. While the asset base of the Group can be a basis for valuation, such a valuation does not necessarily imply a realisable market value as the market value of the assets and liabilities may vary depending on prevailing market and economic conditions.

A summary of the financial position of the Group as at 31 December 2020 is set out below:

	Unaudited as at 31 December 2020 (S$'000)	**Contribution to total assets (%)**
Non-current assets		
PPE	100,451	42.3
- Tuas Property		
- Indonesia Shipyard and Seloko Land		
- Other leasehold buildings		
- Motor Launches		
- Machinery and equipment		
- Office equipment		
- Motor vehicles		
- Deferred drydocking expenditure		
- Construction-in-progress		
Right-of-use assets	8,984	3.8
- Tuas Property		
- Other short-term leases		
Quoted investment	3,157	1.3
- Marco Polo		
Other non-current assets	2,423	1.0

	Unaudited as at 31 December 2020 (S$'000)	Contribution to total assets (%)
Current assets		
Inventories	57,344	24.2
Cash and bank balances	35,775	15.1
Other current assets	29,117	12.3
Total assets	**237,251**	**100.0**
Total liabilities	62,616	
Total equity	174,635	
Less: Non-controlling interests	(4)	
Total equity attributable to owners of the Company/NAV	**174,639**	
Number of Shares as at Latest Practicable Date	*220,169,774*	
NAV per Share	**S$0.793**	

Based on the table above, the Offer Price of S$0.65 per Share represents a P/NAV ratio of 0.82 times, that is, the Offer Price is at a discount of 18.0% to the NAV per Share of S$0.793 as at 31 December 2020.

<u>Ex-cash NAV per Share</u>

We note that the Group recorded term loan of approximately S$4.46 million and lease liabilities of approximately S$9.13 million (collectively, the "**Borrowings**") as at 31 December 2020 and had recorded cash and bank balances of approximately S$35.78 million and short-term deposits of approximately S$4.20 million (collectively, the "**Total Cash**") as at 31 December 2020. Accordingly, the Group was in a significant net cash position of approximately S$26.39 million or S$0.120 per Share, representing 15.1% of the NAV of the Group.

After adjusting for the net cash and cash equivalents of approximately S$26.39 million, the ex-cash NAV of the Group as at 31 December 2020 was approximately S$148.25 million or S$0.673 per Share (the "**Ex-cash NAV per Share**"). The Offer Price, after adjusting for the net cash per Share of S$0.120 (the "**Ex-cash Offer Price**"), is S$0.53.

The Ex-Cash Offer Price of S$0.53 represents an Ex-Cash P/NAV ("**Ex-Cash P/NAV**") ratio of 0.79 times, that is the Ex-cash Offer Price represents a discount of 21.2% to the Ex-cash NAV per Share of S$0.673 as at 31 December 2020.

8.5 RNAV per Share

8.5.1 Summary

We have considered the carrying values of the assets of the Group as at 31 December 2020 to assess if any material assets should be revalued for the purpose of our assessment of the Offer Price compared to the NAV of the Group.

The table below sets out the material assets of the Group and the basis for their carrying values as at 31 December 2020 as well as the bases adopted for the calculation of RNAV.

Assets	Basis of value as at 31 December 2020	Value adopted for RNAV calculation	
PPE and Right-of-use assets			
- *Tuas Property*	<u>PPE</u> Recognised initially at cost. Carried at cost, less accumulated depreciation and any accumulated impairment losses as at 31 December 2020 <u>Right-of-use assets</u> Recognised initially at cost. Carried at cost less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities as at 31 December 2020	Fair value based on the independent valuation by Robert Khan on an "as-is" market value basis using the income method and cost method	Fair value based on the independent valuation by Robert Khan assuming the completion of phase 1 of the proposed development of the Tuas Property ("**Completed Basis**") using the income method and cost method
PPE			
- *Indonesia Shipyard and Seloko Land*	Recognised initially at cost. Carried at cost, less accumulated depreciation and any accumulated impairment losses as at 31 December 2020	Fair value based on the independent valuation by MBPRU on a market value basis using cost approach with the replacement cost method for the Indonesia Shipyard and the market approach with the market data comparison method for the Seloko Land	
PPE			
- *Motor Launches*	Recognised initially at cost. Carried at cost, less accumulated depreciation and any accumulated impairment losses as at 31 December 2020	Fair value based on the independent valuation by ALC Consulting on a current fair value basis using replacement cost method	
PPE			
- *Other leasehold buildings* - *Machinery and equipment* - *Office equipment* - *Motor vehicles* - *Deferred drydocking expenditure* - *Construction in progress (excluding Tuas Property and Indonesia Shipyard)*	Recognised initially at cost. Carried at cost, less accumulated depreciation and any accumulated impairment losses as at 31 December 2020	Carrying value as at 31 December 2020	

Assets	Basis of value as at 31 December 2020	Value adopted for RNAV calculation
Quoted investment		
- *Marco Polo*	Carried at fair values based on quoted price of Marco Polo as at 31 December 2020	Marked-to-market using VWAP of Marco Polo for the 1-year period prior to the Latest Practicable Date
Other assets		
- *comprising mainly cash and cash equivalents, inventories and trade and receivables*	Carrying values as at 31 December 2020	Carrying values as at 31 December 2020

Details on the revaluation of the PPE, right-of-use assets and quoted investment are set out in paragraphs 8.5.2 and 8.5.3 below.

NAV adjustments for net revaluation surplus / (deficit)			
(S$'000, unless otherwise indicated)		**As-is valuation**	**Completed Basis valuation**
Unaudited NAV of the Group as at 31 December 2020		**174,639**	
Add:	Increase in net investment value in quoted investment	1,093	
	Net revaluation surplus on Appraised Assets	27,556	28,716
RNAV of the Group		**203,288**	**204,448**
Number of Shares as at Latest Practicable Date		*220,169,774*	
RNAV per Share (S$)		**0.923**	**0.929**
Discount to RNAV as implied by the Offer Price		29.6%	30.0%

Based on the above, we note that the Offer Price of S$0.65 per Share represents a P/RNAV ratio of 0.70 times based on as-is valuation, that is the Offer Price represents a discount of approximately 29.6% to the RNAV per Share of S$0.923 adjusted based on as-is valuation and the Offer Price represents a P/RNAV ratio of 0.70 times based on a completed basis valuation that is the Offer Price is at a discount of approximately 30.0% to the RNAV per Share of S$0.929 adjusted based on a Completed Basis valuation.

Shareholders should note that the above analysis on RNAV provides an estimate of the value of the Group assuming the hypothetical sale of the assets of the Group as at the Latest Practicable Date. However, such a hypothetical scenario is assumed to be made without considering factors such as, *inter alia*, time value of money, market conditions, professional fees, liquidation costs, contractual obligations, any other regulatory requirements and availability of potential buyers, which would in theory, alter the RNAV that can be realised.

Shareholders should be aware that the Group has not realised the gain or loss as set out in the adjustments to the NAV as at the Latest Practicable Date. There is no assurance that the actual gain or loss (if any) eventually recorded by the Group will be the same as that derived from the assessments based on current market value, independent valuation and the Management's estimates.

The Independent Directors have confirmed, to the best of their knowledge and belief that:

(a) save for the PPE, right-of-use assets and quoted investment detailed above, the other assets of the Company, comprising mainly inventories which represent approximately 24.2% of total assets, have not been revalued for the purpose of determining the RNAV of the Company. Save as disclosed in this letter and for the sale of inventories in the ordinary course of its business, there are no material differences between the realisable value of inventories and their respective book value as at 31 December 2020, which would result in a material impact on the NAV of the Group;

(b) save as disclosed in this letter, they are not aware of any circumstances which may cause the unaudited NAV of the Group as at the Latest Practicable Date to be materially different from that recorded in the unaudited Statement of Financial Position of the Group as at 31 December 2020;

(c) save for the sale of inventories in the ordinary course of its business, there have been no material disposals or acquisitions of assets by the Group between 31 December 2020 and the Latest Practicable Date;

(d) the Group does not have any plans for any impending material disposal or acquisition of assets, conversion of the use of the Group's material assets and/or material change in the nature of the Group's business;

(e) there are no contingent liabilities, bad or doubtful debts or impairment losses or material events as at the Latest Practicable Date which are likely to have a material impact on the unaudited NAV of the Group as at 31 December 2020;

(f) there are no litigation, claim or proceedings pending or threatened against the Group or of any fact likely to give rise to any proceedings as at the Latest Practicable Date which would have an adverse material impact on the financial position of the Group; and

(g) there are no other intangible assets as at the Latest Practicable Date which ought to be disclosed in the Statement of Financial Position of the Group in accordance with the Singapore Financial Reporting Standards (International) and which have not been disclosed that would have a material impact on the unaudited NAV of the Group as at 31 December 2020.

8.5.2 PPE and right-of-use assets

In connection with the Offer, the Group had commissioned Robert Khan, MBPRU and ALC Consulting to carry out independent valuations of the Tuas Property, Indonesia Shipyard and Seloko Land and the Motor Launches (the "**Appraised Assets**") as of 1 February 2021, 1 February 2021 and 5 February 2021 respectively.

<u>Tuas Property</u>

As at the Latest Practicable Date, Tuas Property is under development to serve as the Group's new shipbuilding base in Singapore. Barring any unforeseen circumstances, the development of phase 1 of the Tuas Property is expected to be completed by the end of 2021.

As mentioned in paragraph 8.5.1 above, Tuas Property is recognised and classified as leasehold building in PPE and right-of use asset on the balance sheet of the Company and its carrying value is recognised at cost. In our assessment of the revaluation surplus of the Tuas Property, we have aggregated the carrying values of the PPE and the right-of use assets relating to the Tuas Property and measured it against the independent valuation carried out by Robert Khan. In relation to the Completed Basis valuation of the Tuas Property, we have also considered an estimate of the construction costs to complete phase 1 of the proposed development of the Tuas Property when assessing the relevant revaluation surplus or deficit.

The Tuas Property has a total existing gross floor area of 1,026.66 square metres and the Company has entered into lease agreements with the lessor JTC in respect of the leasehold land. The existing development of the Tuas Property consists of a 2-storey building and other ancillary facilities including, *inter alia*, an electrical substation, slipway, reinforced concrete pier and a hardstanding open yard. As mentioned above, the Tuas Property is under phase 1 of its development and the proposed development which is expected to be completed by the end of

2021 will have a gross floor area of 8,371.66 square metres and comprise of, *inter alia*, the erection of three workshops, the conversion of the existing slipway into deep water basin with finger pier and a slipway and the relocation of a workshop from 20 Tuas Basin Link to the Tuas Property and the retention of the existing 2-storey building, other ancillary facilities and other land improvements.

Based on the foregoing, Robert Khan have valued the Tuas Property on the as-is basis and on Completed Basis. The as-is value is based on the Tuas Property existing as at the date of valuation and a lease term of 20 years commencing from 16 April 2020. The Completed Basis value is arrived at assuming satisfactory completion of phase 1 of the proposed development of the Tuas Property and subject to satisfactory completion of the proposed development and issuance of Temporary Occupation Permit ("**TOP**") and Certificate of Statutory Completion ("**CSC**"), and based on a lease term of 20 years commencing from 16 April 2020.

In arriving at the as-is value and Completed Basis value of the Tuas Property, Robert Khan had prepared its valuation opinion based on the Market Value of the Tuas Property as at 1 February 2021. They have determined the "Market Value" as "*the estimated amount for which a property should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion*".

Pursuant to the valuation report dated 1 February 2021, the Market Value of the Tuas Property based on an as-is value and Completed Basis value was assessed using the income method and the cost method.

Robert Khan had determined the as-is value of the Tuas Property to be S$7.80 million as at 1 February 2021. Based on the corresponding carrying values of the Tuas Property of approximately S$10.36 million as at 31 December 2020, there is a revaluation deficit of approximately S$2.56 million based on as-is Market Value.

Robert Khan had also determined the Completed Basis value of the Tuas Property to be S$19.00 million as at 1 February 2021 and we understand from Management that the remaining construction costs to complete phase 1 of the proposed development of the Tuas property is estimated to be approximately S$10.04 million. Based on the corresponding carrying values of the Tuas Property of approximately S$10.36 million as at 31 December 2020 and the estimated construction costs of approximately S$10.04 million, the revaluation deficit is estimated to be approximately S$1.40 million based on the Completed Basis value.

<u>Indonesia Shipyard and Seloko Land</u>

The Indonesia Shipyard and Seloko Land are registered in the name of PT Kim Seah Shipyard Indonesia, a wholly-owned subsidiary of the Company. The Group primarily carries out its shipbuilding activities at the Indonesia Shipyard which comprises main workshops and other ancillary facilities including, *inter alia*, office buildings. The Indonesia Shipyard is situated on a total land area of 43,991 square metres.

As at the Latest Practicable Date, the Seloko Land is in a raw state and has not been developed. The Seloko Land has a land area of 70,551 square metres.

As at the Latest Practicable Date, upgrading activities of the Indonesia Shipyard is underway and is expected to be completed in the first half of 2021. Notwithstanding that, the Management has confirmed that the additional upgrading works of the Indonesia Shipyard is not expected to result in a material impact on the market valuation of the Indonesia Shipyard. In addition, the Management has confirmed that there are currently no definitive plans to develop the Seloko Land which will result in a material impact on the market valuation of the Seloko Land.

MBPRU had prepared its valuation opinion based on the Indonesia Valuer Code of Ethics and Indonesian Valuer Standards in arriving at the Market Value of the Indonesia Shipyard and Seloko Land as at 1 February 2021. They have determined "Market Value" of the Indonesia Shipyard and Seloko Land to mean "*the estimated amount of money that can be obtained or paid for the exchange of an asset or liability at the valuation date, between an interested buyer* *and a seller who is interested in selling, in a bond-free transaction, which is marketed fairly, in which both parties – each act on the basis of his understanding, prudently and without coercion*". Market Value is also understood as the estimated value of an asset regardless of the cost of selling or buying and without being related to any related assignment of transfer tax related.

Pursuant to the valuation report, the Market Value of (i) the Indonesia Shipyard was assessed using the cost approach with the replacement cost method; and (ii) the Seloko Land was assessed using the market approach with the market data comparison method.

MBPRU had determined the Market Value of the Indonesia Shipyard and the Seloko Land to be approximately IDR129.73 billion (or translated into approximately S$12.32 million using an exchange rate of S$1:IDR10,528.95 as extracted from Bloomberg L.P. as at 1 February 2021) and approximately IDR18.34 billion (or translated into approximately S$1.74 million using an exchange rate of S$1:IDR10,528.95 as extracted from Bloomberg L.P. as at 1 February 2021) as at 1 February 2021 respectively. The corresponding carrying values of the Indonesia Shipyard and the Seloko Land was approximately S$10.30 million and approximately S$1.11 million as at 31 December 2020 respectively, thus resulting in an aggregate revaluation surplus of approximately S$2.66 million.

Motor Launches

Motor Launches are held in PPE as part of the Group's operating fleet for their chartering activities. As at the Latest Practicable Date, the Group holds 34 Motor Launches which includes different vessel types including, *inter alia*, aluminium ferry boats and crewboats, aluminium launch boats, aluminium line boats, barges and steel boats.

ALC Consulting is a business valuation services firm focused on ship valuation and marine assets appraisal and had carried out market valuation of all 34 Motor Launches of the Group which accounted for an aggregate net book value of approximately S$60.32 million as at 31 December 2020.

ALC Consulting had prepared its valuation opinion based on the current fair value of the Motor Launches as at 5 February 2021 using the replacement cost method where they have considered the newbuilt construction price of a similar vessel and adjust for its corresponding age.

ALC Consulting had determined the current fair value of the 34 Motor Launches to be approximately S$87.78 million as at 5 February 2021. The corresponding carrying values of the Motor Launches was approximately S$60.32 million as at 31 December 2020, thus resulting in a revaluation surplus of approximately S$27.46 million.

Revaluation surplus/(deficit) of the Appraised Assets				
Appraised Assets (S$'000)	**Net book value as at 31 December 2020**	**Market Value**	**Net revaluation surplus/(deficit)(1)** As-is	**Completed Basis**
Tuas Property				
- As-is	10,357(2)	7,800	(2,557)	-
- Completed Basis	20,397(3)	19,000	-	(1,397)
Indonesia Shipyard and Seloko Land	11,405	14,063(4)	2,658	2,658
Motor Launches	60,320	87,775	27,455	27,455
Total net revaluation surplus			27,556	28,716

Source: Independent Valuation reports dated 5 February 2021, 8 February 2021 and 10 February 2021, and Management

Notes:

(1) The surplus or deficit arising from the NAV adjustment is obtained based on the difference between the market value and the net book value of the Revalued Asset as at 31 December 2020;

(2) For the purposes of evaluating the revaluation surplus of the Tuas Property, the carrying value of Tuas Property includes the right-of-use assets which comprised the leasehold land for the Tuas Property leased from JTC of approximately S$7.92 million;

(3) The carrying value of the Tuas Property as at 31 December 2020 on a Completed Basis value includes an estimate of the construction costs of approximately S$10.04 million to complete phase 1 of the proposed development of the Tuas Property; and

(4) The exchange rate used to translate the valuation of the Indonesia Shipyard and Seloko Land of IDR148.07 billion into Singapore dollars was S$1:IDR10,528.95 as extracted from Bloomberg L.P. as at 1 February 2021.

Under Rule 26.3 of the Code, the Company is required, *inter alia*, to make an assessment of any potential tax liability which would arise if the assets, which are the subject of a valuation given in connection with an offer, were to be sold at the amount of the valuation. Management is of the view that the potential tax liabilities which may be incurred by the Group on the hypothetical disposal of the Appraised Assets based on the valuations carried out by the Independent Valuers will not be material. The aforesaid tax liabilities are not likely to crystalise as the Group has no intention to sell the Appraised Assets as of the Latest Practicable Date.

8.5.3 Quoted investment

The value of the Group's quoted investment in Marco Polo is approximately S$3.16 million as at 31 December 2020. Marco Polo is a Singapore-incorporated company listed on the Mainboard of the SGX-ST and they are principally engaged in the business of shipbuilding and the chartering of vessels. As at the Latest Practicable Date, the Company holds 242,857,144 shares, representing 6.9% of the issued shares in Marco Polo.

We understand from Management that the quoted investment is Marco Polo is recognised as an investment in equity instrument that is not held for trading. Accordingly, quoted investment is accounted for at the fair value. Based on the Group's investment in Marco Polo of approximately S$3.16 million as at 31 December 2020, the approximate implied value of each Marco Polo share as at 31 December 2020 was S$0.013 (the "**Marco Polo Carrying Value**").

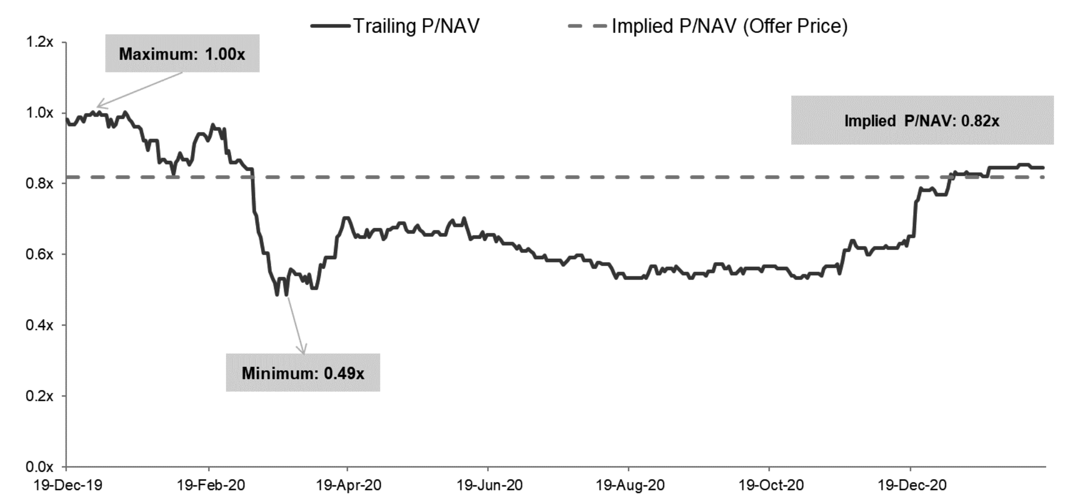
As at the Latest Practicable Date, the last traded price of Marco Polo was S$0.021, representing a premium of 61.5% over the Marco Polo Carrying Value. As the shares of Marco Polo are freely traded and listed on the SGX-ST, we have adjusted the Group's quoted investment in Marco Polo to marked-to-market using VWAP of Marco Polo for the 1-year period prior to the Latest Practicable Date of S$0.0175 per share, resulting in an adjusted total value of approximately S$4.25 million. Accordingly, the revaluation surplus in respect of the Group's investment in Marco Polo is estimated to be approximately S$1.09 million.

However, while Marco Polo is a listed security on the SGX-ST, we note that due to its low liquidity, it is unlikely that the Group's quoted investment in Marco Polo can be fully realised at the current market price.

8.6 Historical trailing P/NAV ratio of the Shares

We have compared the P/NAV ratio of the Shares as implied by the Offer Price against the historical trailing P/NAV ratio of the Shares (based on the daily closing prices of the Shares and the Group's trailing announced NAV per Share) from 19 December 2019 (being the 1-year period up to and including the last full trading day prior to the release of the Holding Announcement) up to and including the Latest Practicable Date.

Historical trailing P/NAV ratio[1]



Source: Bloomberg L.P. and the Company's results announcements

Note:

(1) P/NAV ratio of the Shares implied by the Offer Price (based on the latest NAV per share as announced by the Company prior to the Latest Practicable Date) against the trailing P/NAV of the Shares based on the corresponding NAV per Share as announced by the Company.

The average, minimum and maximum of the historical trailing P/NAV ratio of the Shares for the various periods during the 1-year period up to and including 18 December 2020, being the last full trading day prior to the release of the Holding Announcement, and for the periods after the release of the Holding Announcement up to the Latest Practicable Date are set out below:

Historical trailing P/NAV ratio of the Shares	Historical trailing P/NAV ratio (times)		
	Average	Maximum	Minimum
Periods prior to the release of the Holding Announcement			
1-year	0.67	1.00	0.49
6-month	0.58	0.66	0.53
3-month	0.58	0.65	0.53
1-month	0.62	0.65	0.58
Period after the release of the Holding Announcement up to and including the Last Trading Day			
From 21 December 2020 (being the Holding Announcement Date) to 19 January 2021 (being the Last Trading Day)	0.80	0.83	0.75
Period after the Offer Announcement Date up to and including the Latest Practicable Date			
From 22 January 2021 to the Latest Practicable Date	0.85	0.85	0.82

Sources: Bloomberg L.P. and the Company's results announcements

Based on the above, we note that:

(a) The implied P/NAV ratio, implied Ex-Cash P/NAV ratio, implied P/RNAV ratio based on as is valuation and implied P/RNAV ratio based on Completed Basis valuation of 0.82 times, 0.79 times, 0.70 times and 0.70 times respectively are generally above the average historical trailing P/NAV ratio of the Shares of 0.67 times, 0.58 times, 0.58 times and 0.62 times for the 1-year, 6-month, 3-month and 1-month period up to and including the last full trading day prior to the release of the Holding Announcement respectively;

(b) The implied P/NAV ratio of 0.82 times is above the average historical trailing P/NAV ratio of the Shares of 0.80 times for the period between the Holding Announcement Date and the Last Trading Day;

(c) The implied Ex-Cash P/NAV ratio, implied P/RNAV ratio based on as-is valuation and implied P/RNAV ratio based on Completed Basis valuation of 0.79 times, 0.70 times and 0.70 times respectively are below the average historical trailing P/NAV ratio of the Shares of 0.80 times for the period between the Holding Announcement Date and the Last Trading Day; and

(d) The implied P/NAV ratio, implied Ex-Cash P/NAV ratio and implied P/RNAV ratio based on as is valuation and implied P/RNAV ratio based on Completed Basis valuation of 0.82 times, 0.79 times, 0.70 times and 0.70 times respectively are below the average historical trailing P/NAV ratio of the Shares of 0.85 times for the period between the Offer Announcement Date and the Latest Practicable Date.

8.7 Analysts' estimates and price targets for the Company

We have reviewed the recommendations and price targets of the Company by various analysts' research reports sourced from Bloomberg L.P. and the summary is set out in the table below.

Analysts' estimates and price targets for the Company			
Analyst	**Date**	**Target Price (S$)**	**Premium of Offer Price over Target Price**
Phillip Securities	3 June 2020	0.55	18.2%
CGS-CIMB	27 August 2020	0.55	18.2%
UOB Kay Hian	28 August 2020	0.42	54.8%
Mean		0.51	30.4%

Sources: Analyst target prices as extracted from Bloomberg L.P.

Based on the above analysts' research estimates, we note that the Offer Price represents a premium of approximately 30.4% over the average price target of S$0.51 by all three analysts.

We wish to highlight that the above analyst research reports are not exhaustive and the estimated price targets of the Shares in these reports represent the individual views of the respective analysts (and not PPCF) based on the circumstances, including but not limited to, market, economic and industry conditions and market sentiment and investor perceptions on the prospects of the Company, prevailing at the date of the publication of the respective reports. The opinion of the analysts may change over time due to, *inter alia*, changes in market conditions, the Company's corporate developments and the emergence of new information relevant to the Company. As such, the estimated price targets in these analyst reports may not be an accurate prediction of future market prices of the Shares.

8.8 Valuation ratios of selected listed companies broadly comparable to the Group

For the purpose of evaluating the financial terms of the Offer, we have made reference to the valuation ratios of selected companies listed on the SGX-ST which we consider to be broadly comparable to the Company, to get an indication of the current market expectations with regard to the perceived valuation of the Company.

In light of the lack of direct comparable companies on the SGX-ST, we have expanded our coverage, through a search on publicly available information, to include companies which, *inter alia*, are primarily engaged in the shipbuilding, ship repair and maintenance, chartering and related businesses ("**Comparable Companies**"). We are of the view that in the absence of listed companies that are primarily engaged in businesses similar to the Company's on the SGX-ST, the Comparable Companies are suitable to serve as a basis for comparison and the Independent Directors concurs with our view.

In evaluating these companies, we have applied and used the following valuation ratios:

Valuation ratios	General descriptions
P/NAV	"**P/NAV**" or "**price-to-NAV**" illustrates the comparison between a company's stock price or market value versus the book value of the company's total shareholders' common equity as indicated on its balance sheet. Comparisons of companies using their book NAVs are affected by differences in their respective accounting policies, in particular their depreciation and asset valuation policies.
P/E	"**P/E**" or "**price-to-earnings**" illustrates the market price of a company's shares relative to its earnings per share. The P/E multiple is affected by, *inter alia*, the capital structure of a company, its tax position as well as its accounting policies relating to depreciation and intangible assets.

Brief descriptions of the Company and the Comparable Companies are set out below:

Summary of Comparable Companies

Name	Market capitalisation (S$'million)[(1)]	Business description
The Company	143.1	The Company operates as an integrated marine and offshore services company. The Company serves customers worldwide and specializes in design, construction, and operation of high-speed aluminium ships. The Company also owns and operates a fleet of vessels as well as aluminium shipbuilding yards.
ASL Marine Holdings Ltd ("**ASL Marine**")	22.0	ASL Marine operates as a holding company. Through its subsidiaries, ASL Marine engages in shipbuilding, ship repair and conversion, marine vessel chartering, marine engineering, and other related services. ASL Marine serves customers worldwide.
ES Group (Holdings) Ltd ("**ES Group**")	9.9	ES Group is a marine and offshore group involved in newbuilding, conversion and repair of oceangoing vessels. ES Group builds, converts, and repairs a wide range of vessels, such as tugs, barges, rigs, offshore support vessels, oil tankers, and cargo ships.
Marco Polo Marine Ltd ("**Marco Polo**")	74.0	Marco Polo is an integrated shipping company. They provide services that include ship chartering, ship building and repair, and brokering services.

Summary of Comparable Companies		
Name	**Market capitalisation (S$'million)(1)**	**Business description**
Kim Heng Offshore & Marine Holdings Ltd ("**Kim Heng Offshore**")	28.3	Kim Heng Offshore operates as an investment holding company. Through its subsidiaries, Kim Heng Offshore provides offshore rig mover and marine support services which includes construction, fabrication works, installation, afloat repairs, refurbishment, and maintenance for drilling rigs and vessels, offshore production modules, systems, and platforms.
Vallianz Holdings Ltd ("**Vallianz**")	28.0	Vallianz is a vessel and equipment owning and leasing company. Vallianz provides marine support services, primarily marine asset ownership, leasing, and fleet management.
Atlantic Navigation Holdings Singapore Ltd ("**Atlantic Navigation**")	13.6	Atlantic Navigation is a shipping company. Atlantic Navigation offers an integrated platform of services including vessel owning, operating, chartering of third-party vessels, maintenance workshop and steel fabrication works for the offshore industry. Atlantic Navigation primarily operates its fleet in the Middle East and Indian markets.

Source: Bloomberg L.P.

Note:

(1) Market capitalisation of the Comparable Companies is based on their respective last transacted prices as at the Latest Practicable Date.

In our selection of the Comparable Companies, we have also taken into consideration (i) Nam Cheong Limited ("**Nam Cheong**"); and (ii) Triyards Holdings Limited ("**Triyards**") who are marine offshore companies that are engaged in the provision of ship construction solutions. The shares of Nam Cheong and Triyards have been suspended for trading since April 2020 and September 2017 respectively. Accordingly, any comparison between the Offer Price and the shares of Nam Cheong and Triyards are not meaningful.

We wish to highlight that the Comparable Companies are not exhaustive and we recognise that there is no company listed on the SGX-ST which we may consider to be identical to the Company in terms of, *inter alia,* geographical spread, composition of business activities, scale of business operations, risk profile, asset base, market capitalisation, valuation methodologies adopted, accounting policies, track record, future prospects, market/industry size, political risk, competitive and regulatory environment, tax factors, financial positions and other relevant criteria and that such businesses may have fundamentally different annual profitability objectives. The Independent Directors should note that any comparison made with respect to the Comparable Companies herein is strictly limited in scope and merely serves to provide an illustrative perceived market valuation of the Company as at the Latest Practicable Date.

We set out below the valuation statistics for the Comparable Companies based on their last transacted share prices as at the Latest Practicable Date.

Valuation ratios of Comparable Companies			
Comparable Companies	**Market Capitalisation(1) (S$'million)**	**LTM(2) P/E (times)**	**P/NAV(3) (times)**
ASL Marine	22.0	n.m.(2)	0.20
ES Group	9.9	1.49	0.31
Marco Polo	74.0	n.m.(2)	0.74
Kim Heng Offshore	28.3	n.m.(2)	0.47
Vallianz	28.0	n.m.(2)	0.34
Atlantic Navigation	13.6	n.m.(2)	0.13
	Maximum	1.49(4)	0.74
	Minimum	1.49(4)	0.13
	Mean	1.49(4)	0.37
	Median	1.49(4)	0.32
Company (based on the Offer Price)		**10.83**	**0.82**

Source: Bloomberg L.P. and the relevant announcements by the Comparable Companies

Notes:

(1) Market capitalisation of the Comparable Companies is based on their respective last transacted prices as at the Latest Practicable Date;

(2) LTM means last twelve months and n.m. means not meaningful;

(3) Based on the NAV per share obtained from Bloomberg L.P. and/or the respective Comparable Companies' most recently announced financial statements; and

(4) The maximum, minimum, mean and median in relation to the LTM P/E of the Comparable Companies are all identical as save for ES Group, the Comparable Companies are loss-making.

For illustration purposes only, we note that based on the Offer Price:

(a) The implied P/E ratio of the Company is 10.83 times and is above the range of the LTM P/E ratios of the Comparable Companies, and higher than both the mean and median LTM P/E ratios of the Comparable Companies of 1.49 times. We wish to highlight that, save for ES Group, the Comparable Companies were loss-making and any comparison between the P/E ratio of the Company and those of the Comparable Companies would not be meaningful;

(b) The implied P/NAV ratio and implied Ex-Cash P/NAV ratio of the Company of 0.82 times and 0.79 times are above the range of the P/NAV ratios of the Comparable Companies and higher than both the mean and median P/NAV ratios of 0.37 times and 0.32 times respectively; and

(c) The implied P/RNAV ratio based on as-is valuation and implied P/RNAV ratio based on Completed Basis valuation of 0.70 times and 0.70 times respectively are within the range of the P/NAV ratios of the Comparable Companies and are higher than both the mean and median P/NAV ratios of 0.37 times and 0.32 times respectively.

8.9 Precedent privatisation and delisting transactions in Singapore

The Offeror has stated that its intention is to make the Company its wholly-owned subsidiary and does not intend to preserve the listing status of the Company. Accordingly, the Offeror, if and when entitled, intends to exercise its rights of Compulsory Acquisition (as defined below). Accordingly, for the purpose of our evaluation of the financial terms of the Offer, we have compared the valuation statistics implied by the Offer Price *vis-à-vis* recent successful privatisations and delistings of companies listed on the SGX-ST where the offeror has indicated similar intentions where it does not intend to preserve the listing status of the company.

We set out below the statistics on (i) privatisation transactions of companies listed on the SGX-ST, whether by way of scheme of arrangement under Section 210 of the Companies Act, voluntary general offers ("**VGO**") or mandatory general offers ("**MGO**") under the Code; and (ii) delisting offers under Rule 1307 of the Listing Manual ("**Voluntary Delisting**" or "**VD**"), and the offer resulted in a successful privatisation and delisting of the target company ("**Precedent Privatisation Transactions**"). The details on the Precedent Privatisation Transactions announced from 1 January 2019 up to the Latest Practicable Date are set out as follow:

Precedent Privatisation Transactions

				Premium/(Discount) of Offer Price over/(to)(1)				
Date of announcement	Target	Type	Offer Price per Share (S$)	Last Transacted Price (%)	1-month VWAP (%)	3-month VWAP (%)	6-month VWAP (%)	Offer Price to NTA/NAV (times)
18 Dec 2020	Hi-P International Limited	VGO	2.000	13.6	23.2	42.3	50.6	2.60(2)
16 Sep 2020	LCT Holdings Limited	VGO	0.600	39.5	60.8	61.7	61.5	0.91(3)
3 Sep 2020	China Jishan Holdings Limited	VGO	0.350	84.2	101.3	106.4	116.7	0.78(3)
2 Sep 2020	SK Jewellery Group Limited	VGO	0.150	70.5	90.2	94.8	93.7	1.31(2)
12 Aug 2020	Teckwah Industrial Corporation Limited	VGO	0.650	17.8	23.1	25.0	32.4	0.81(3)
30 Jun 2020	Luzhou Bio-Chem Technology Limited	VGO	0.300	100.0	87.5	130.8	150.0	n.m(4)
12 Jun 2020	Perennial Real Estate Holdings Limited (5)	VGO	0.950	88.1	105.2	124.2	112.7	0.56(6)
1 Jun 2020	Dynamic Colours Limited	VGO	0.225	13.6	22.8	29.1	27.1	0.95(7)
3 Apr 2020	Elec & Eltek International Company Limited	VGO	3.360(8)	93.0	61.3	43.8	48.4	1.00(6)
24 Feb 2020	Breadtalk Group Ltd	VGO	0.770	19.4	30.1	24.0	25.0	2.81(7)
11 Nov 2019	AVIC International Marine Holdings Limited	VGO	0.150	37.6	66.7	62.9	64.9	1.18(2)
6 Nov 2019	Citic Envirotech Ltd.	VD	0.550	48.6	61.6	68.5	65.5	1.15(2)
4 Nov 2019	PACC Offshore Services Holdings Ltd.	VGO	0.215	69.3	99.4	93.0	70.2	0.96(3)
25 Oct 2019	Raffles United Holdings Ltd.(9)	VGO	0.065	(1.5)	0.0	10.0	15.9	0.28(2)
5 Sep 2019	San Teh Ltd	VGO	0.280	81.8	90.5	83.0	84.2	0.40(3)
20 Aug 2019	PS Group Holdings Ltd.	VGO	0.118	195.0	266.7	267.5	267.5	0.62(3)
5 Aug 2019	Star Pharmaceutical Limited	MGO	0.450	157.1	160.1	176.1	186.6	0.67(3)
29 Jul 2019	Delong Holdings Limited(10)	VGO	7.000	1.9	8.0	17.9	37.2	0.60(2)
5 Jul 2019	Health Management International Ltd(11)	VD	0.730(12)	14.1	23.9	27.8	29.7	5.62(3)
28 Jun 2019	Hupsteel Limited	VGO	1.200	51.9	58.3	58.6	58.6	0.58(3)

Precedent Privatisation Transactions

Date of announcement	Target	Type	Offer Price per Share (S$)	Premium/(Discount) of Offer Price over/(to)[1] Last Transacted Price (%)	1-month VWAP (%)	3-month VWAP (%)	6-month VWAP (%)	Offer Price to NTA/NAV (times)
15 May 2019	Boardroom Limited	VGO	0.880	14.3	18.9	16.1	17.6	2.02[7]
14 May 2019	Memtech International Ltd.	VGO	1.350	23.9	31.5	31.6	35.6	1.09[2]
6 May 2019	800 Super Holdings Limited	VGO	0.900	16.1	30.8	31.2	25.3	2.06[3]
4 Apr 2019	Kingboard Copper Foil Holdings Limited	VGO	0.600	9.1	16.1	25.3	27.4	0.88[3]
18 Jan 2019	Courts Asia Limited	VGO	0.205	34.9	35.8	34.0	23.5	0.56[13]
7 Jan 2019	Declout Limited[14]	VGO	0.130	62.5	66.7	66.7	58.5	1.28[13]
4 Jan 2019	PCI Limited[15]	VGO	1.330	27.9	44.0	47.2	50.9	1.97[2]
			Minimum	(1.5)	0.0	10.0	15.9	0.28
			Maximum	195.0	266.7	267.5	267.5	5.62
			Mean[16][17]	51.3	50.3	54.2	55.3	1.12
			Median[16][17]	37.6	44.0	43.8	50.6	0.95
21 Jan 2021	**Company (implied by the Offer Price)**		**0.65**	**30.0**	**35.4[18]**	**42.5[18]**	**44.4[18]**	**0.82**

Source: SGX-ST announcements and the respective target companies' shareholders' circular in relation to the Precedent Privatisation transactions.

Notes:

(1) Market premia/(discounts) calculated relative to the closing prices of the respective target companies one (1) day prior to the respective announcement dates and VWAP of the 1-month, 3-month and 6-month period prior to the respective announcements;

(2) Based on the NTA/NAV per share (as the case may be), as published in the respective circulars of the target companies;

(3) Based on the revalued NAV/NTA per share (as the case may be), as published in the respective circulars of the target companies;

(4) Denotes "not meaningful" as Luzhou Bio-Chem Technology Limited had recorded a net tangible liability and revalued net tangible liability as at 31 December 2019;

(5) On 18 May 2020, Perennial Real Estate Holdings Limited ("**Perennial**") announced that its directors had been notified that certain of its substantial shareholders were reviewing the options in relation to their shareholdings in Perennial. The market premia in the table above were computed based on the share prices for the period(s) prior to and including 15 May 2020, being the last undisturbed trading date;

(6) Based on the adjusted revalued NAV/NTA per share (as the case may be), as published in the respective circulars of the target companies;

(7) Based on the adjusted NAV/NTA per share (as the case may be), as published in the respective circulars of the target companies;

(8) The offer price for Elec & Eltek International Limited was made at HK$18.07 which is equivalent to S$3.36 after applying the 3 April 2020 (being the offer announcement date) exchange rate as extracted from Bloomberg L.P.;

(9) On 1 July 2019, a mandatory unconditional cash offer was made for the issued shares in Raffles United Holdings Ltd. and the shares were subsequently suspended from trading on 14 August 2019 as a result of the loss of free float following the offer. The market premia/(discount) in the table above were computed based on the share prices for the period(s) prior to the suspension of the trading of the shares on 14 August 2019 following the loss of free float;

(10) On 27 September 2018, the voluntary conditional cash offer for the issued shares of Delong Holdings Limited was announced. On 11 October 2018, it was announced that the offer was withdrawn in accordance with Rule 4 of the Code. The market premia in the table above were computed based on the share prices for the period(s) up to and including 26 September 2018, being the last unaffected trading day;

(11) On 17 June 2019, the directors of Health Management International Ltd ("**HMI**") announced that it was in discussions with a third party regarding a possible transaction involving HMI. The market premia in the table above were computed based on the share prices for the periods(s) up to and including 14 June 2019, being the last undisturbed trading day;

(12) The acquisition for all the issued shares of HMI by PanAsia Health Limited (being the offeror) was effected by way of a scheme of arrangement pursuant to, *inter alia,* Section 210 of the companies Act and the scheme consideration was (i) S$0.730 in cash; or (ii) one offeror share at an issue price of S$0.730 per offeror share;

(13) Based on the pro forma NAV/NTA per share (as the case may be), as published in the respective circulars of the target companies;

(14) Declout Limited had a significant stake in Procurri Corporation Limited ("**Procurri**") and had treaded and consolidated the results of Procurri as its subsidiary. On 7 September 2018, Procurri announced that it had received an unsolicited, non-binding indication of interest from a third party to acquire the shares in Procurri by way of a possible voluntary general offer subject to, amongst others, due diligence. The market premia in the table above were computed based on the share prices for the period(s) prior to and including 6 September 2018, being the last undisturbed trading date;

(15) On 18 September 2018, PCI Limited ("**PCI**") announced that its controlling shareholder, Chuan Hup Holdings Limited, had been approached by a third party in connection with a potential transaction in relation to the securities of PCI and that discussions were on-going. The market premia in the table above were computed based on the share prices for the period(s) prior to and including 17 September 2018, being the last undisturbed trading date;

(16) Excluded PS Group Holdings Ltd. and Star Pharmaceutical Limited as statistical outliers in the computation of the mean and median premium/(discount) of the offer price over/(to) (i) the last transacted prices prior to the offer announcements; and (ii) the 1-month, 3-month and 6-month VWAPs prior to the offer announcements;

(17) Excluded Luzhou Bio-Chem Technology Limited and HMI as a statistical outlier in the computation of the mean and median offer price to NTA/NAV ratios; and

(18) The market premia implied by the Offer Price were computed based on the prices for the periods prior to the release of the Holding Announcement.

Based on the above analysis, we note the following:

(a) The premium of 30.0% implied by the Offer Price over the closing price of the Shares on 18 December 2020, being the last full trading day prior to the release of the Holding Announcement, is within the range, lower than the mean and median premia of 51.3% and 37.6% respectively as implied by the respective offer prices paid over the closing prices of the shares on their respective last trading day with respect to the Precedent Privatisation Transactions;

(b) The premium of approximately 35.4% implied by the Offer Price over the VWAP of the Shares for the 1-month period prior to the release of the Holding Announcement, is within the range but is lower than the mean and median premia of 50.3% and 44.0% respectively as implied by the respective offer prices over the 1-month VWAP of the shares with respect to the Precedent Privatisation Transactions;

(c) The premium of approximately 42.5% implied by the Offer Price over the VWAP of the Shares for the 3-month period prior to the release of the Holding Announcement, is within the range, but is lower than the mean and median premia of 54.2% and 43.8% respectively as implied by the respective offer prices over the 3-month VWAP of the shares with respect to the Precedent Privatisation Transactions;

(d) The premium of approximately 44.4% implied by the Offer Price over the VWAP of the Shares for the 6-month period prior to the release of the Holding Announcement, is within the range, but is lower than the mean and median premia of 55.3% and 50.6% respectively as implied by the respective offer prices over the 6-month VWAP of the shares with respect to the Precedent Privatisation Transactions; and

(e) The implied P/NAV ratio of the Company of 0.82 times is within the range of P/NAV ratios of the Precedent Privatisations of between 0.28 times and 5.62 times but is lower than the mean and median P/NAV ratios of the Precedent Privatisation Transactions of 1.12 times and 0.95 times respectively.

The Independent Directors should note that the level of premium (if any) an acquirer would normally pay for acquiring and/or privatising a listed company (as the case may be) varies in different circumstances depending on, *inter alia*, the attractiveness of the underlying business to be acquired, the synergies to be gained by the acquirer from integrating the target company's businesses with its existing business, the possibility of a significant revaluation of the assets to be acquired, the availability of substantial cash reserves, the liquidity in the trading of the target company's shares, the presence of competing bids for the target company, the extent of control the acquirer already has in the target company and prevailing market expectations. Consequently, each Precedent Privatisation Transaction should be judged on its own merits (or otherwise).

The list of Precedent Privatisation Transactions indicated herein has been compiled based on publicly available information as at the Latest Practicable Date. The above table captures only the premia/discounts implied by the offer prices in respect of the Precedent Privatisation Transactions over the aforesaid periods and does not highlight bases other than the aforesaid in determining an appropriate premium/discount for the recent Precedent Privatisation Transactions. It should be noted that the comparison is made without taking into account the total amount of the offer value of each respective Precedent Privatisation Transaction or the relative efficiency of information or the underlying liquidity of the shares of the relevant companies or the performance of the shares of the companies or the quality of earnings prior to the relevant announcement and the market conditions or sentiments when the announcements were made or the desire or the relative need for control leading to compulsory acquisition.

We wish to highlight that the Company is not in the same industry and does not conduct the same businesses as the other companies in the list of Precedent Privatisation Transactions and would not, therefore, be directly comparable to the list of companies in terms of, *inter alia*, geographical markets, composition of business activities, scale of business operations, risk profile, asset base, valuation methodologies adopted, accounting policies, track record, future prospects, market/industry size, political risk, competitive and regulatory environment, financial positions and other relevant criteria. Accordingly, the Independent Directors should note that the above comparison merely serves as a general guide to provide an indication of the premium or discount in connection with the Precedent Privatisation Transactions. Therefore, any comparison of the Offer with the Precedent Privatisation Transactions is for illustration purposes only. Conclusions drawn from the comparisons made may not necessarily reflect any perceived market valuation for the Company.

8.10 Dividend track record of the Company and selected alternative investments

For the purpose of assessing the Offer, we have considered the historical dividend record of the Shares for the last five (5) financial years prior to the Offer Announcement Date and compared them with the returns which a Shareholder may potentially obtain by re-investing the proceeds from the Offer in other selected alternative equity investments.

The Company had declared and paid the following ordinary dividends in respect of its last five (5) financial years:

Historical dividend track record of the Company					
(S$)	**FY2016**	**FY2017**	**FY2018**	**FY2019**	**FY2020**
Final exempt (one-tier) dividend per Share	-[(1)]	0.0045	0.0125	0.0175	N.A[(2)]
1-year average Share price	0.31	0.28	0.34	0.50	0.50
Dividend yield (%)	-	1.61	3.68	3.50	N.A.

Source: Bloomberg L.P. and the Company's filings

Note:

(1) The Company did not declare any dividends for FY2016; and

(2) Not applicable as the Directors have not recommended any dividends in respect of FY2020 as at the Latest Practicable Date.

The Group does not have a fixed dividend policy. The form, frequency and amount of dividends on the Shares that the Directors may recommend or declare in respect of any particular financial year or period is subject to factors including, *inter alia*, actual and projected financial performance, working capital requirements and general financing condition and levels of cash and/or retained earnings.

For the purpose of analysing the Offer, we have considered that the Shareholders who accept the Offer may re-invest the proceeds from the Offer in selected alternative equity investments such as a broad Singapore market index instrument such as the STI Exchange Traded Fund ("**STI ETF**").

For illustration purposes, the dividend yields of the STI ETF based on their ordinary dividends declared over the latest 12 months are as follows:

Dividend yields of alternative equity investment	
	Net dividend yield[(1)] (%)
STI ETF	**4.10**
COMPANY (based on the Offer Price)	**2.69[(2)]**

Source: Bloomberg L.P.

Notes:

(1) Net dividend yield of each selected alternative investment is computed as the dividends declared over the latest twelve months divided by the closing market price as at the Latest Practicable Date (or where there was no trading on such date, the last available closing market price). The aforementioned dividend yield computed may differ from the actual dividend yield which will vary depending on the actual cost of investment paid by the individual investor.

(2) Net dividend yield of the Company is computed as the dividends declared over the latest twelve months, as represented by the final exempt (one-tier) dividend per Share of S$0.0175 for FY2019 declared on 25 February 2020, divided by the Offer Price as at the Latest Practicable Date.

Based on the above dividend analysis, we note the LTM dividend yield of the Company is below that of the STI ETF at 4.10%. This suggests that a Shareholder who accepts the offer may potentially experience an increase in dividend income if they reinvest the proceeds from the Offer in the shares of the STI ETF.

We wish to highlight that the above dividend analysis serves only as an illustrative guide and is not an indication of the Company's future dividend policy nor that of the STI ETF. There is no assurance that the Company will continue or any of the above selected alternative investments will continue to pay dividends in the future and/or maintain the level of dividends paid in past periods.

Notwithstanding the above, it is uncertain whether the Company and STI ETF can maintain its historical dividend yields at the levels set out above, hence it is uncertain whether the Shareholders will be able to achieve their desired levels of investment income by liquidating their investment in the Company and reinvesting their proceeds in the STI ETF or other alternative investments.

The Independent Directors should note that an investment in STI ETF provides a different risk-return profile as compared to an investment in the Shares, and therefore the above comparison serves purely as a guide only. Furthermore, it should also be noted that the above analysis ignores the effect of any potential capital gain or capital loss that may accrue to the Shareholders arising from their investment in the Shares

due to market fluctuations in the price of the Shares during the relevant corresponding periods in respect of which the above dividend yields were analysed.

In addition, no views are being expressed with regard to the future dividend policy of the Company and the Company does not have a fixed and formal dividend policy. As such, the quantum of dividends paid by the Company in any period would depend on various factors including but not limited to the financial performance of the Company, its working capital and capital expenditure needs as well as other considerations.

9. OTHER CONSIDERATIONS

9.1 Listing Status of the Company

Pursuant to Rule 1105 of the Listing Manual, upon an announcement by the Offeror that acceptances have been received pursuant to the Offer that bring the holdings in Shares of the Offeror and persons acting in concert with it to above 90% of the total number of Shares (excluding any Shares held in treasury), the SGX-ST may suspend the trading of the Shares in the Ready and Unit Share markets until it is satisfied that at least 10% of the total number of Shares (excluding any Shares held in treasury) are held by at least 500 Shareholders who are members of the public.

Rule 1303(1) of the Listing Manual provides that where the Offeror succeeds in garnering acceptances exceeding 90% of the total number of Shares (excluding any Shares held in treasury), thus causing the percentage of the total number of Shares (excluding any Shares held in treasury) held in public hands to fall below 10%, the SGX-ST will suspend trading of the Shares only at the close of the Offer.

Under Rule 724(1) of the Listing Manual, if the percentage of the Shares held in public hands falls below 10%, the Company must, as soon as practicable, announce that fact and the SGX-ST may suspend trading of all the Shares. Rule 724(2) of the Listing Manual states that the SGX-ST may allow the Company a period of three (3) months, or such longer period as the SGX-ST may agree, to raise the percentage of the Shares in public hands to at least 10%, failing which the Company may be removed from the Official List of the SGX-ST.

9.2 Compulsory acquisition

As stated in the Offer Document, pursuant to Section 215(1) of the Companies Act, in the event that the Offeror acquires not less than 90% of the total number of Shares (other than those already held by the Offeror, its related corporations or their respective nominees as at the date of the Offer and excluding any Shares held in treasury), the Offeror will be entitled to exercise the right to compulsorily acquire all the Shares from the Shareholders who have not accepted the Offer, at a price equal to the Offer Price (the "**Compulsory Acquisition**").

In addition, pursuant to Section 215(3) of the Companies Act, if the Offeror acquires such number of Shares which, together with the Shares held by it, its related corporations and their respective nominees, comprise 90% or more of the total number of Shares, the Shareholders who have not accepted the Offer will have a right to require the Offeror to acquire their Shares at the Offer Price. Such Shareholders who wish to exercise such a right are advised to seek their own independent legal advice.

9.3 Offeror's intentions for the Group

As stated in the Offer Document, the Offeror intends to make the Company its wholly-owned subsidiary and does not intend to preserve the listing status of the Company. Accordingly, the Offeror, if and when entitled, intends to exercise its rights of Compulsory Acquisition and does not intend to take any step for the public float to be restored and/or for any trading suspension of the Shares by the SGX-ST to be lifted in the event that, *inter alia*, less than 10% of the total number of Shares (excluding any Shares held in treasury) are held in public hands.

In addition, the Offeror also reserves the right to seek a voluntary delisting of the Company from the SGX-ST pursuant to Rules 1307 and 1309 of the Listing Manual (collectively, the "**Voluntary Delisting Rules**"). Without prejudice to the foregoing, if the Offeror receives, as at the Closing Date, valid acceptances of the Offer from Shareholders (other than persons acting in concert with the Offeror) (the "**Independent Shareholders**") representing at least 75% of the total number of Shares held by the Independent Shareholders and subject to substantive compliance with the other requirements set out in the Voluntary Delisting Rules, the Offeror intends to seek the SGX-ST's waiver from strict compliance with such Voluntary Delisting Rules.

In the event that the public float is lost and the Offeror is unable to exercise its rights of Compulsory Acquisition or the Company is unable to meet the requirements set out in the Voluntary Delisting Rules, the trading of the Shares may be subjected to a prolonged period of suspension.

Subject to normal business conditions and other than in the normal course of business, the Offeror does not intend to (a) make major changes to the business of the Company or its management team; (b) re-deploy the fixed assets of the Company; or (c) discontinue the employment of the employees of the Group. Nonetheless, the Offeror retains the flexibility at any time to consider any options or opportunities which may present themselves and which the Offeror may regard to be in the interests of the Company.

9.4 Implications of delisting or suspension for Shareholders

Shareholders who do not accept the Offer should note the following implications or consequences which may arise as a result of any suspension in, and/or delisting of the Shares:

(i) Shares of unquoted companies are generally valued at a discount to the shares of comparable listed companies as a result of lack of marketability;

(ii) It is likely to be difficult for Shareholders to sell their Shares in the absence of a public market for the Shares as there is no arrangement for such Shareholders to exit their investments in the Shares. If the Company is delisted, even if such Shareholders were subsequently able to sell their Shares, they may receive a lower price than that of the Offer Price;

(iii) Given the time taken for the Offeror to exercise its right to compulsorily acquire the remaining Shares or the time taken for Dissenting Shareholders to exercise any rights they may have to compel the Offeror to acquire their Shares under Section 215(3) of the Companies Act, the settlement date on compulsory acquisition is likely to be later than the settlement date had the Offer been accepted;

(iv) As an unlisted company, the Company will no longer be obliged to comply with the listing requirements of the SGX-ST, in particular the continuing corporate disclosure requirements under Chapter 7 of the Listing Manual and Appendices 7.1 to 7.4 to the Listing Manual. Shareholders will no longer enjoy the same level of protection, transparency and accountability afforded by the Listing Manual. Nonetheless, as a company incorporated in Singapore, the Company will still need to comply with the Companies Act and its Constitution and the interests of Shareholders who do not accept the Offer will be protected to the extent provided for by the Companies Act which includes, *inter alia*, the entitlement to be sent a copy of the profit and loss accounts and balance sheet at least 14 days before each annual general meeting, at which the accounts will be presented; and

(v) There is no assurance that the Company will maintain its historical dividend payments in the future.

9.5 Promoters' Irrevocable Undertakings

We note that as at the Latest Practicable Date, the Promoters collectively hold 47,459,515 Shares representing 21.56% of the total number of Shares in the Company. Details of the Shares held by the Promoters that will be tendered in acceptance of the Offer by each Promoter pursuant to their respective Promoters' Irrevocable Undertakings are as follows:

Promoter	Number of Shares to be tendered in acceptance of the Offer	Percentage of the total number of Shares (%)
JHYP	46,792,849	21.25
JTTC	666,666	0.30
Total	**47,459,515**	**21.56**

Pursuant to the Promoters' Irrevocable Undertakings, the Offeror has received irrevocable undertakings to accept the Offer in respect of an aggregate of 47,459,515 Shares representing 21.56% of the total number of issued Shares as at the Latest Practicable Date.

10. OPINION

In arriving at our opinion in respect of the Offer, we have considered the following key considerations (which should be read in conjunction with, and in the context of, the full text of this letter):

Factors in favour of the Offer Price:

(i) Over the 2-year period up to and including the last full trading day prior to the release of the Holding Announcement, and from the Holding Announcement Date up to and including the Last Trading Day, save for the period between 15 October 2019 and 6 March 2020 where the closing prices of the Shares had mostly been above the Offer Price, the closing prices of the Shares had consistently been below the Offer Price;

(ii) The Offer Price represents a premium of approximately 16.7%, 18.0%, 44.4%, 42.5% and 35.4% over the VWAP of the Shares for the 2-year, 1-year, 6-month, 3-month period and 1-month period up to and including the last full trading day prior to the release of the Holding Announcement respectively;

(iii) The Offer Price is at a premium of approximately 30.0%, 3.2% over the closing prices of the Shares of S$0.500 and S$0.630 as at 18 December 2020, being the last full trading day prior to the release of the Holding Announcement and the Last Trading Day respectively. The Offer Price is at the closing price of the Shares of S$0.650 on the Latest Practicable Date;

(iv) During the 2-year period up to and including the last full trading day prior to the release of the Holding Announcement, the average daily traded volume of the Shares was approximately 393,904 Shares, representing 0.30% of the free float. Between the Holding Announcement Date and the Latest Practicable Date, the average daily traded volume ranged between 0.53% to 1.36% of the free float. While there appears to be a ready market for the Shares as indicated by the regular frequency of transactions, the absolute traded volume of the Shares is nevertheless very thin which renders the Shares illiquid for investors who wish to undertake transactions in larger amount of Shares;

(v) As compared to the relative performance of the market indices, the current market price of the Shares is likely to have been supported by the Offer subsequent to the Holding Announcement Date. As such, there is no assurance that the market price of the Shares will be maintained at the prevailing level as at the Latest Practicable Date after the close of the Offer;

(vi) The Group's revenue had decreased from FY2019 to FY2020 due mainly to fewer stock vessels sold and a decrease in chartering activities over the period where the Group's business had been negatively affected by the Covid-19 pandemic and weak oil prices. Demand for new vessels had weakened and crewboat charter rates and utilisation rates had fallen;

(vii) The implied P/NAV ratio, implied Ex-Cash P/NAV ratio, implied P/RNAV ratio based on as-is valuation and implied P/RNAV ratio based on Completed Basis valuation of 0.82 times, 0.79 times, 0.70 times and 0.70 times respectively are generally above the average historical trailing P/NAV ratio of the Shares of 0.67 times, 0.58 times, 0.58 times and 0.62 times for the 1-year, 6-month, 3-month and 1-month period up to and including the last full trading day prior to the release of the Holding Announcement respectively;

(viii) The implied P/NAV ratio of 0.82 times is above the average historical trailing P/NAV ratio of the Shares of 0.80 times for the period between the Holding Announcement Date and the Last Trading Day;

(ix) The Offer Price represents a premium of approximately 30.4% over the average price target of S$0.51, as estimated by analysts;

(x) In respect of the Comparable Companies:

- The implied P/E ratio of the Company is 10.83 times is above the range of the LTM P/E ratios of the Comparable Companies and is higher than both the mean and median of the LTM P/E ratios of the Comparable Companies of 1.49 times. We wish to highlight that, save for ES Group, the Comparable Companies are loss-making and any comparison between the P/E ratio of the Company and those of the Comparable Companies would not be meaningful;

- The implied P/NAV ratio and implied Ex-Cash P/NAV ratio of the Company of 0.82 times and 0.79 times are above the range of the P/NAV ratios of the Comparable Companies and are higher than both the mean and median P/NAV ratios of 0.37 times and 0.32 times respectively; and

- The implied P/RNAV ratio based on as-is valuation and implied P/RNAV ratio based on Completed Basis valuation of 0.70 times and 0.70 times respectively are within the range of the P/NAV ratios of the Comparable Companies and are higher than both the mean and median P/NAV ratios of 0.37 times and 0.32 times respectively.

(xi) We note that the STI ETF, being an alternative equity instrument provides a better dividend yield, suggesting that Shareholders who accept the Offer may potentially experience an increase in dividend income if they reinvest the proceeds from the Offer in the shares of the STI ETF;

(xii) The Offeror intends to make the Company its wholly-owned subsidiary and does not intend to preserve the listing status of the Company and the Offeror reserves its right to seek a voluntary delisting of the Company from the SGX-ST, where permitted by, and in accordance with, the relevant requirements of the Listing Manual and the Code; and

(xiii) As at the Latest Practicable Date, pursuant to the Promoters' Irrevocable Undertakings, the Offeror has received irrevocable undertakings to accept the Offer in respect of an aggregate of 47,459,515 Shares representing 21.56% of the total number of issued Shares.

Factors against the Offer Price:

(i) The Offer Price represents a discount of 18.0%, 29.6% and 30.0% over the NAV per Share, RNAV per Share adjusted based on as-is valuation and RNAV per Share adjusted based on Completed Basis valuation respectively and the Ex-Cash Offer Price represents a discount of 21.2% over the Ex-Cash NAV per Share;

(ii) The implied Ex-Cash P/NAV ratio, implied P/RNAV ratio based on as-is valuation and implied P/RNAV ratio based on Completed Basis valuation of 0.79 times, 0.70 times and 0.70 times respectively are below the average historical trailing P/NAV ratio of the Shares of 0.80 times for the period between the Holding Announcement Date and the Last Trading Day;

(iii) The implied P/NAV ratio, implied Ex-Cash P/NAV ratio and implied P/RNAV ratio based on as is valuation and implied P/RNAV ratio based on Completed Basis valuation of 0.82 times, 0.79 times, 0.70 times and 0.70 times respectively are below the average historical trailing P/NAV ratio of the Shares of 0.85 times for the period between the Offer Announcement Date and the Latest Practicable Date; and

(iv) In respect of the Precedent Privatisation Transactions:

- The premium of approximately 30.0% implied by the Offer Price over the closing price of the Shares on 18 December 2020, being the last full trading day prior to the release of the Holding Announcement, is within the range, lower than the mean and median premia of 51.3% and 37.6% respectively as implied by the respective offer prices paid over the closing prices of the shares on their respective last trading day with respect to the Precedent Privatisation Transactions;

- The premium of approximately 35.4% implied by the Offer Price over the VWAP of the Shares for the 1-month period prior to the release of the Holding Announcement, is within the range but is lower than the mean and median premia of 50.3% and 44.0% respectively as implied by the respective offer prices over the 1-month VWAP of the shares with respect to the Precedent Privatisation Transactions;

- The premium of approximately 42.5% implied by the Offer Price over the VWAP of the Shares for the 3-month period prior to the release of the Holding Announcement, is within the range, but is lower than the mean and median premia of 54.2% and 43.8% respectively as implied by the respective offer prices over the 3-month VWAP of the shares with respect to the Precedent Privatisation Transactions;

- The premium of approximately 44.4% implied by the Offer Price over the VWAP of the Shares for the 6-month period prior to the release of the Holding Announcement, is within the range, but is lower than the mean and median premia of 55.3% and 50.6% respectively as implied by the respective offer prices over the 6-month VWAP of the shares with respect to the Precedent Privatisation Transactions; and

- The implied P/NAV ratio of the Company of 0.82 times is within the range of P/NAV ratios of the Precedent Privatisation Transactions of between 0.28 times and 5.62 times but is lower than the mean and median P/NAV ratios of the Precedent Privatisation Transactions of 1.12 times and 0.95 times respectively.

Having considered the aforementioned factors set out in this letter and summarised in this section, we are of the opinion that the financial terms of the Offer are not fair but reasonable. Based on our opinion, we advise the Independent Directors to recommend that Shareholders accept the Offer, unless Shareholders are able to obtain a price higher than the Offer Price on the open market, taking into account all the brokerage commissions or transactions costs in connection with open market transactions.

We also advise the Independent Directors to consider highlighting to the Shareholders that there is no assurance that the price of the Shares will remain at current levels after the close or lapse of the Offer and the current price performance of the Shares may not be indicative of the future price performance levels of the Shares.

The Independent Directors should also note that transactions of the Shares are subject to possible market fluctuations and accordingly, our opinion on the Offer does not and cannot take into account the future transactions or price levels that may be established for the Shares since these are governed by factors beyond the ambit of our review.

This letter is addressed to the Independent Directors for their benefit, in connection with and for the purpose of their consideration of the financial terms of the Offer and should not be relied on by any other party. The recommendation made by them to the Shareholders in relation to the Offer shall remain the sole responsibility of the Independent Directors.

Whilst a copy of this letter may be reproduced in the Circular, neither the Company nor the Directors may reproduce, disseminate or quote this letter (or any part thereof) for any other purpose at any time and in any manner without the prior written consent of PPCF in each specific case. This opinion is governed by, and construed in accordance with, the laws of Singapore, and is strictly limited to the matters stated herein and does not apply by implication to any other matter.

Yours faithfully,
For and on behalf of
PrimePartners Corporate Finance Pte. Ltd.

Mark Liew
Chief Executive Officer and Executive Director

APPENDIX B: GENERAL INFORMATION RELATING TO THE COMPANY

1. DIRECTORS

The names, addresses and descriptions of the Directors as at the Latest Practicable Date are as follows:

Name	Address	Description
Mr. Jeffrey Hing Yih Peir	c/o 18 Tuas Basin Link Singapore 638784	Executive Chairman
Mr. James Tham Tuck Choong	c/o 18 Tuas Basin Link Singapore 638784	Managing Director
Ms. Joanna Tung May Fong	c/o 18 Tuas Basin Link Singapore 638784	Finance and Administration Director
Mr. Ong Kian Min	c/o 18 Tuas Basin Link Singapore 638784	Lead Independent and Non-executive Director
Mr. Paul Tan Poh Lee	c/o 18 Tuas Basin Link Singapore 638784	Independent and Non-executive Director
Mr. Leow Ban Tat	c/o 18 Tuas Basin Link Singapore 638784	Independent and Non-executive Director

2. PRINCIPAL ACTIVITIES

The Company was incorporated in the Republic of Singapore on 23 January 1976 and was listed on the Mainboard of the SGX-ST on 17 October 1997.

The Company, together with its subsidiaries, is a designer, builder, owner and operator of aluminium high-speed craft. The Group owns and operates a fleet of crewboats and passenger ferries, and designs and builds a variety of high-speed craft at the Group's shipyards in Singapore and Batam, Indonesia. These include patrol boats, fire fighting search-and-rescue vessels, windfarm support vessels and security vessels.

3. SHARE CAPITAL

3.1 Issued Shares

The Company only has one (1) class of Shares, being ordinary shares. As at the Latest Practicable Date, the issued and paid-up share capital of the Company comprises S$95,885,990.0081 consisting of 220,169,774 Shares.

As at the Latest Practicable Date, there has been no issue of new Shares by the Company since 31 December 2020, such date being the end of the previous financial year of the Company. The Shares carry equal ranking rights to dividends, voting at general meetings and return of capital. As at the Latest Practicable Date, the Company has no treasury shares.

The Shares are quoted and listed on the Mainboard of the SGX-ST.

3.2 Convertible Securities

As at the Latest Practicable Date, the Company has no outstanding instruments convertible into, rights to subscribe for and options or derivatives in respect of, the Shares or securities carrying voting rights in the Company.

3.3 **Rights of Shareholders in respect of capital, dividends and voting rights**

The rights of Shareholders in respect of capital, dividends and voting rights are contained in the Constitution. For ease of reference, selected texts of the Constitution relating to the rights of Shareholders in respect of capital, dividends and voting rights have been reproduced in Appendix C to this Circular.

4. DISCLOSURE OF INTERESTS AND DEALINGS

4.1 **Interests of the Company in Offeror Securities**

As at the Latest Practicable Date, neither the Company nor its subsidiaries has any direct or indirect interests in the Offeror Securities.

4.2 **Dealings in Offeror Securities by the Company**

Neither the Company nor its subsidiaries has dealt in the Offeror Securities during the period commencing six (6) months prior to the Offer Announcement Date and ending on the Latest Practicable Date.

4.3 **Interests of Directors in Offeror Securities**

As at the Latest Practicable Date, based on the information available to the Company and save as disclosed below, none of the Directors has any direct or deemed interest in any of the Offeror Securities:

	Direct Interest as at the Latest Practicable Date		Deemed Interest as at the Latest Practicable Date	
Name	**No. of Offeror Securities**	**%**	**No. of Offeror Securities**	**%(1)**
Director				
Mr. Jeffrey Hing Yih Peir	5,500	55	–	–
Mr. James Tham Tuck Choong	500	5	–	–

Note:

(1) The percentage shareholding is based on 10,000 shares in the share capital of the Offeror.

4.4 **Dealings in Offeror Securities by Directors**

Save as disclosed in this Circular, none of the Directors has dealt for value in the Offeror Securities during the period commencing six (6) months prior to the Offer Announcement Date and ending on the Latest Practicable Date.

4.5 **Interests of Directors in Company Securities**

Save as disclosed below, as at the Latest Practicable Date, none of the Directors has an interest, direct or indirect, in the Company Securities.

	Direct Interest as at the Latest Practicable Date		Deemed Interest as at the Latest Practicable Date	
Name	**No. of Shares**	**%**	**No. of Shares**	**%(1)**
Director				
Mr. Jeffrey Hing Yih Peir	46,792,849	21.25	–	–
Mr. James Tham Tuck Choong	666,666	0.30	–	–
Ms. Joanna Tung May Fong	51,500	0.02	–	–

Note:

(1) The percentage shareholding is based on 220,169,774 Shares in the capital of the Company as at the Latest Practicable Date.

4.6 **Dealings in Company Securities by Directors**

Save as disclosed in this Circular in relation to dealings in Shares in connection with the Offer, none of the Directors has dealt in the Company Securities during the period commencing six (6) months prior to the Offer Announcement Date and ending on the Latest Practicable Date.

4.7 **Interests of the IFA in Company Securities**

As at the Latest Practicable Date, none of the IFA, its related corporations or funds whose investments are managed by the IFA or its related corporations on a discretionary basis, owns or controls any Company Securities.

4.8 **Dealings in Company Securities by the IFA**

None of the IFA, its related corporations or funds whose investments are managed by the IFA or its related corporations on a discretionary basis, has dealt for value in the Company Securities during the period commencing six (6) months prior to the Offer Announcement Date and ending on the Latest Practicable Date.

4.9 **Directors' intentions in respect of the Offer**

As at the Latest Practicable Date, the Directors who hold or have a deemed interest in Shares have indicated their intention in relation to accepting or rejecting the Offer in respect of such Shares as follows:

(a) as set out in the Offer Document, Mr. Jeffrey Hing Yih Peir has provided an irrevocable undertaking to accept the Offer, further details of which are set out in Section 2.8 of this Circular. Mr Jeffrey Hing Yih Peir has informed the Company that he has accepted the Offer in respect of all the Shares held by him;

(b) as set out in the Offer Document, Mr. James Tham Tuck Choong has provided an irrevocable undertaking to accept the Offer, further details of which are set out in Section 2.8 of this Circular. Mr James Tham Tuck Choong has informed the Company that he has accepted the Offer in respect of all the Shares held by him; and

(c) Ms. Joanna Tung May Fong has informed the Company that she intends to accept the Offer in respect of all the Shares held by her.

5. ARRANGEMENTS WITH DIRECTORS

5.1 **Directors' service contracts**

As at the Latest Practicable Date, there are no service contracts between any Director or proposed director with the Company or any of its subsidiaries which have more than 12 months to run and which cannot be terminated by the employing company within the next 12 months without paying any compensation. In addition, there are no such service contracts entered into or amended between any Director or proposed director with the Company or any of its subsidiaries during the period commencing six (6) months prior to the Offer Announcement Date and ending on the Latest Practicable Date.

5.2 **Arrangements affecting Directors**

As at the Latest Practicable Date, save as disclosed in this Circular:

(a) there are no payments or other benefits to be made or given to any Director or to any director of any other corporation which is, by virtue of Section 6 of the Companies Act, deemed to be related to the Company, as compensation for loss of office or otherwise in connection with the Offer;

(b) there are no agreements or arrangements made between any Director and any other person in connection with or conditional upon the outcome of the Offer; and

(c) there are no material contracts entered into by the Offeror in which any of the Directors has a material personal interest, whether direct or indirect.

6. MATERIAL CONTRACTS

Save as disclosed in publicly available information on the Company and in this Circular, neither the Company nor any of its subsidiaries has entered into any material contracts with interested persons[1] (other than those entered into in the ordinary course of business) during the period commencing three (3) years before the Offer Announcement Date and ending on the Latest Practicable Date.

7. FINANCIAL INFORMATION

7.1 Consolidated income statement

Set out below is certain financial information extracted from the annual reports of the Company for FY2017, FY2018 and FY2019, and from the FY2020 Results. The financial information for FY2017, FY2018 and FY2019 should be read in conjunction with the audited consolidated financial statements of the Group and the accompanying notes as set out in the annual reports of the Company for FY2017, FY2018 and FY2019, and the financial information for FY2020 should be read in conjunction with the FY2020 Results and the accompanying notes as set out in the financial statements.

	Unaudited FY2020 S$'000	Audited FY2019 S$'000	Audited FY2018 S$'000	Audited FY2017 S$'000 (restated)(1)	Audited FY2017 S$'000
Revenue	119,417	136,337	107,268	79,761	85,351
Exceptional items	–	–	–	–	–
Net profit before tax	15,364	19,961	15,497	2,098	2,952
Net profit after tax	13,207	19,414	13,582	2,278	3,132
Non-controlling interests	1	1	1	1	1
Net earnings per share					
- Basic (cents)	6.00	8.82	6.17	1.03	1.42
- Diluted (cents)	6.00	8.82	6.17	1.03	1.42

Note:

(1) As set out in the annual report of the Company for FY2018 on pages 54 to 56 therein, the Group and the Company have adopted Singapore Financial Reporting Standards (International) and all new and revised standards effectively for periods beginning on or after 1 January 2018.

1 As defined in the Note to Rule 24.6 read with the Note on Rule 23.12 of the Code, an interested person is:

(a) a director, chief executive officer, or substantial shareholder of the Company;

(b) the immediate family of a director, the chief executive officer, or a substantial shareholder (being an individual) of the Company;

(c) the trustees, acting in their capacity as such trustees, of any trust of which a director, the chief executive officer or a substantial shareholder (being an individual) and his immediate family is a beneficiary;

(d) any company in which a director, the chief executive officer or a substantial shareholder (being an individual) together and his immediate family together (directly or indirectly) have an interest of 30% or more;

(e) any company that is the subsidiary, holding company or fellow subsidiary of the substantial shareholder (being a company); or

(f) any company in which a substantial shareholder (being a company) and any of the companies listed in (e) above together (directly or indirectly) have an interest of 30% or more.

The following is a summary of the dividend per Share declared and paid in respect of each of FY2017, FY2018 and FY2019. This information was extracted from the annual reports of the Company for FY2017, FY2018 and FY2019.

	Final exempt one-tier dividend per Share (S$)	**Interim exempt one-tier per Share (S$)**
In respect of FY2019	0.0175	–
In respect of FY2018	0.0125	–
In respect of FY2017	0.0045	–

As at the Latest Practicable Date, the Directors have not recommended any dividends to be paid in respect of FY2020.

7.2 **Consolidated balance sheet**

The audited consolidated balance sheet of the Group for FY2019 is set out below. The summary set out below should be read in conjunction with the audited consolidated financial statements of the Group and the accompanying notes as set out in the annual report of the Company for FY2019.

	Audited FY2019 S$'000
ASSETS	
Non-current assets	
Property, plant and equipment	82,174
Right-of-use assets	2,253
Investment in subsidiaries	–
Loan to a subsidiary	–
Other investments	5,157
Intangible asset	78
Other receivables	124
Current assets	
Inventories	42,008
Trade receivables	13,604
Other receivables and deposits	14,004
Contract assets	3,268
Prepayments	577
Derivatives	–
Loans to subsidiaries	–
Fixed deposits	34,885
Cash and bank balances	25,018
	133,364
Assets classified as held for sale	7,322
	140,686

	Audited FY2019 S$'000
LIABILITIES	
Current liabilities	
Trade payables	16,038
Other payables and accruals	37,543
Provisions	522
Contract liabilities	1,042
Deferred revenue	–
Provision for income tax	1,427
Lease liabilities	1,292
Term loans	83
Deposits from subsidiaries	–
	57,947
Net current assets	82,739
Non-current liabilities	
Deferred tax liabilities	2,075
Provisions	1,726
Lease liabilities	1,030
Term loans	–
Net assets	167,694
EQUITY	
Share capital	94,943
Retained earnings	82,833
Other reserves	(10,079)
Non-controlling interests	(3)
Total equity	167,694

Copies of the annual reports of the Company for FY2017, FY2018 and FY2019 are available for inspection at the Company's registered office at 18 Tuas Basin Link, Singapore 638784 during normal business hours from the date of this Circular up to the Closing Date.

7.3 **Material changes in financial position**

As at the Latest Practicable Date, save as disclosed in any information on the Group which is publicly available (including without limitation, the announcements released by the Group on the SGX-ST), there have been no material changes to the financial position of the Group since 31 December 2019, being the date of the last audited accounts of the Group laid before Shareholders in general meeting.

7.4 **Significant accounting policies**

The significant accounting policies of the Group are disclosed in note 2 to the audited consolidated financial statements of the Group for FY2019 as set out in the annual report of the Company for FY2019 on pages 64 to 80 therein, and are reproduced in Appendix D of this Circular.

7.5 **Changes in significant accounting policies**

As at the Latest Practicable Date, there is no change in the significant accounting policies of the Group since FY2019.

8. MATERIAL LITIGATION

As at the Latest Practicable Date:

(a) neither the Company nor any of its subsidiaries is engaged in any material litigation or arbitration proceedings, as plaintiff or defendant, which might materially affect the financial position of the Group taken as a whole; and

(b) the Directors are not aware of any proceedings pending or threatened against the Company or any of its subsidiaries or of any facts likely to give rise to any proceedings which might materially affect the financial position of the Group taken as a whole.

9. VALUATION OF ASSETS

9.1 The Company had commissioned independent valuations of the following assets held by the Group:

(a) motor launches ("**Motor Launches**");

(b) the property located at 21 Tuas Road, Singapore 638489 (the "**Tuas Property**");

(c) a leasehold building being the shipyard located at Kawasan Industri Sekupang, Kelurahan Tanjung Riau, Kecamatan Sekupang, Kota Batam, Provinsi Kepulauan Riau, Kode Pos: 29425 (the "**Indonesia Shipyard**"); and

(d) a land parcel located at Pulau Seloko - Tanjung Uncang, Kelurahan Tanjung Riau, Kecamatan Sekupang, Kota Batam, Provinsi Kepulauan Riau, Kode Pos: 29425 (the "**Seloko Land**"),

(collectively, the "**Appraised Assets**").

The Company notes that the valuations of the Appraised Assets have been carried out on the following bases:

(i) in respect of the Motor Launches, on a current fair value basis using the replacement cost method;

(ii) in respect of the Tuas Property, on an "as-is" market value basis using the income method and cost method, and assuming the completion of phase 1 of the proposed development of the Tuas Property using the income method and cost method;

(iii) in respect of the Indonesia Shipyard, using the cost approach with the replacement cost method; and

(iv) in respect of the Seloko Land, using the market approach with the market data comparison method.

The extracts of the Valuation Reports prepared by the Independent Valuers are set out as the Valuation Report Extracts in Appendix F to this Circular.

9.2 Under Rule 26.3 of the Code, the Company is required, *inter alia,* to make an assessment of any potential tax liability which would arise if the assets, which are the subject of a valuation given in connection with an offer, were to be sold at the amount of the valuation. The management of the Company is of the view that the potential tax liabilities which may be incurred by the Group on the hypothetical disposal of the Appraised Assets based on the valuations carried out by the Independent Valuers will not be material. The aforesaid tax liabilities are not likely to crystalise as the Group has no intention to sell the Appraised Assets as of the Latest Practicable Date.

10. COSTS AND EXPENSES

All costs and expenses incurred by the Company in respect of the Offer will be borne by the Company.

APPENDIX C: RELEVANT PROVISIONS OF THE CONSTITUTION OF THE COMPANY

The rights of Shareholders in respect of capital, dividends and voting rights are contained in the Constitution, the relevant provisions of which are set out below:

Please see the definitions in the Constitution for terms used in the reproduced extracts below.

1. The rights of Shareholders in respect of capital

ISSUE OF SHARES

3. Subject to the Act and this Constitution, no shares may be issued by the Directors without the prior approval of the Company in General Meeting but subject thereto and to Regulation 8, and to any special rights attached to any shares for the time being issued, the Directors may allot and issue shares or grant options over or otherwise dispose of the same to such persons on such terms and conditions and for such consideration (if any) and at such time and subject or not to the payment of any part of the amount (if any) thereof in cash as the Directors may think fit, and any shares may be issued with such preferential, deferred, qualified or special rights, privileges or conditions, as the Directors may think fit, and preference shares may be issued which are or at the option of the Company are liable to be redeemed, the terms and manner of redemption being determined by the Directors, Provided always that:

(a) no shares shall be issued to transfer a controlling interest in the Company without the prior approval of the members in a General Meeting;

(b) (subject to any direction to the contrary that may be given by the Company in a General Meeting) any issue of shares for cash to Members holding shares of any class shall be offered to such Members in proportion as nearly as may be to the number of shares of such class then held by them and the provisions of the second sentence of Regulation 8(A) with such adaptations as are necessary shall apply;

(c) any other issue of shares, the aggregate of which would exceed the limits referred to in Regulation 8(B), shall be subject to the approval of the Company in a General Meeting; and

(d) the rights attaching to shares of a class other than ordinary shares shall be expressed in the resolution creating the same.

4. (A) Without prejudice to any special rights previously conferred on the holders of any existing shares or class of shares, any share in the Company may be issued with such preferred, deferred or other special rights or such restrictions, whether with regard to dividend, voting, return of capital or otherwise as the Company may from time to time by ordinary resolution determine; PROVIDED ALWAYS THAT the total number of issued preference shares shall not at any time exceed the total number of issued ordinary shares of the Company.

Subject (but not limited) to the Act, any preference shares may be issued on the terms that they are, or at the option of the Company are liable, to be redeemed. The Company shall also have the power to issue further preference shares ranking equally with or in priority to any preference shares already issued.

Holders of preference shares shall have the same rights as ordinary shareholders as regards receiving of notices, reports and balance sheets, and attending General Meetings of the Company. They shall have the right to vote at any meeting convened for the purposes of reducing the capital or winding up or sanctioning a sale of the undertaking of the Company, or where the proposition to be submitted to the meeting directly affects their rights and privileges, or when the dividends on the preference shares are in arrears for more than six months.

(B) The Company may issue shares for which no consideration is payable to the Company.

TREASURY SHARES

5. The Company shall not exercise any right in respect of treasury shares other than as provided by the Act. The rights in relation to treasury shares are to be suspended except for the purposes of bonus shares, share splits and consolidations. Subject thereto, the Company may hold or deal with its treasury shares in the manner authorised by or prescribed pursuant to the Act.

VARIATION OF RIGHTS

6. (A) Whenever the share capital of the Company is divided into different classes of shares, the special rights attached to any class subject to the provisions of the Act, preference capital, other than redeemable preference capital, may be repaid and may, subject to the provisions of the Statutes, be varied or abrogated either with the consent in writing of the holders of three-quarters of the total voting rights of the issued shares of the class or with the sanction of a Special Resolution passed at a separate General Meeting of the holders of the shares of the class (but not otherwise) and may be so varied or abrogated either whilst the Company is a going concern or during or in contemplation of a winding-up. To every such separate General Meeting, all the provisions of this Constitution relating to General Meetings of the Company and to the proceedings thereat shall mutatis mutandis apply, except that the necessary quorum shall be two persons at least holding or representing by proxy at least one-third of the total voting rights of the issued shares of the class and that any holder of shares of the class present in person or by proxy may demand a poll and that every such holder shall on a poll have one vote for every share of the class held by him, Provided always that where the necessary majority for such a Special Resolution is not obtained at such General Meeting, consent in writing if obtained from the holders of three-quarters of the total voting rights of the issued shares of the class concerned within two months of such General Meeting shall be as valid and effectual as a Special Resolution carried at such General Meeting. The foregoing provisions of this Regulation shall apply to the variation or abrogation of the special rights attached to some only of the shares of any class as if each group of shares of the class differently treated formed a separate class the special rights whereof are to be varied.

(B) The special rights attached to any class of shares having preferential rights shall not, unless otherwise expressly provided by the terms of issue thereof, be deemed to be varied by the creation or issue of further shares ranking as regards participation in the profits or assets of the Company in some or all respects pari passu therewith but in no respect in priority thereto.

ALTERATION OF SHARE CAPITAL

7. The Company may from time to time by Ordinary Resolution increase its capital by the allotment and issue of new shares.

8. (A) Subject to any direction to the contrary that may be given by the Company in a General Meeting or except as permitted under the listing rules of the Singapore Exchange Securities Trading Limited or such other stock exchange on which the Company's shares are listed, all new shares shall, before issue, be offered to such persons who as at the date of the offer are entitled to receive notices from the Company of General Meetings in proportion, as far as the circumstances admit, to the number of the existing shares to which they are entitled. The offer shall be made by notice specifying the number of shares offered, and limiting a time within which the offer, if not accepted, will be deemed to be declined, and, after the expiration of that time, or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares offered, the Directors may dispose of those shares in such manner as they think most beneficial to the Company. The Directors may likewise so dispose of any new shares which (by reason of the ratio which the new shares bear to shares held by persons entitled to an offer of new shares) cannot, in the opinion of the Directors, be conveniently offered under this Regulation 8(A).

(B) Notwithstanding Regulation 8(A) above, the Company may by Ordinary Resolution in General Meeting give to the Directors a general authority, either unconditionally or subject to such conditions as may be specified in the Ordinary Resolution, to:

(a) issue shares in the capital of the Company whether by way of rights, bonus or otherwise; and/or

(b) make or grant offers, agreements or options (collectively, "Instruments') that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares; and

(c) (notwithstanding the authority conferred by the Ordinary Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while the Ordinary Resolution was in force, provided that:

(1) the aggregate number of shares to be issued pursuant to the Ordinary Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to the Ordinary Resolution) shall be subject to such limits and manner of calculation as may be prescribed by the Singapore Exchange Securities Trading Limited;

(2) in exercising the authority conferred by the Ordinary Resolution, the Company shall comply with the provisions of the Listing Manual of the Singapore Exchange Securities Trading Limited for the time being in force or such other stock exchange on which the Company's shares are listed (unless such compliance is waived by the Singapore Exchange Securities Trading Limited or such other stock exchange) and this Constitution; and

(3) (unless previously revoked or varied by the Company in General Meeting), the authority conferred by the Ordinary Resolution shall not continue in force beyond the conclusion of the Annual General Meeting of the Company next following the passing of the Ordinary Resolution or the date by which such Annual General Meeting is required by law to be held, or the expiration of such other period as may be prescribed by the Act (whichever is the earliest).

(C) Except so far as otherwise provided by the conditions of issue or by this Constitution, all new shares shall be subject to the provisions of the Act and this Constitution with reference to allotments, payment of calls, lien, transfer, transmission, forfeiture and otherwise.

9. The Company may by Ordinary Resolution:

(a) consolidate and divide all or any of its shares;

(b) cancel any shares which, at the date of the passing of the resolution, have been forfeited and diminish the amount of its capital by the number of shares so cancelled;

(c) sub-divide its shares, or any of them (subject, nevertheless, to the provisions of the Statutes and the bye-laws or listing rules of any relevant Stock Exchange upon which shares in the Company are listed), and so that the resolution whereby any share is subdivided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may, as compared with the others, have any such preferred, deferred or other special rights, or be subject to any such restrictions, as the Company has power to attach to new shares; or

(d) subject to the provisions of this Constitution and the Act, convert any class of shares into any other class of shares.

10. (A) The Company may, subject to and in accordance with the Act, purchase or otherwise acquire its issued shares on such terms and in such manner as the Company may from time to time think fit. Any share which is so purchased or acquired by the Company shall, unless held in treasury in accordance with the Act, be deemed to be cancelled immediately on purchase or acquisition by the Company. On the cancellation of any share as aforesaid, the rights and privileges attached to that share shall expire. In any other instance, the Company may hold or deal with any such share which is so purchased or acquired by it in such manner as may be permitted by, and in accordance with, the Act (including without limitation to hold such shares as a treasury share).

(B) The Company may reduce its share capital or any undistributable reserve in any manner and with and subject to any incident authorised and consent required by law. Without prejudice to the generality of the foregoing, upon cancellation of any share purchased or otherwise acquired by the Company pursuant to this Constitution and the Act, the number of issued shares of the Company shall be diminished by the number of the shares so cancelled, and where any such cancelled share was purchased or acquired out of the capital of the Company, the amount of the share capital of the Company shall be reduced accordingly.

SHARES

11. Except as required by law, no person shall be recognised by the Company as holding any share upon any trust, and the Company shall not be bound by or compelled in any way to recognise any equitable, contingent, future or partial interest in any share, or any interest in any fractional part of a share, or (except only as by this Constitution or by law otherwise provided) any other right in respect of any share, except an absolute right to the entirety thereof in the person (other than the Depository) entered in the Register of Members as the registered holder thereof or (as the case may be) person whose name is entered in the Depository Register in respect of that share.

12. Without prejudice to any special rights previously conferred on the holders of any shares or class of shares for the time being issued, any share in the Company may be issued with such preferred, deferred or other special rights, or subject to such restrictions, whether as regards dividend, return of capital, voting or otherwise, as the Company may from time to time by Ordinary Resolution determine (or, in the absence of any such determination, as the Directors may determine) and subject to the provisions of the Statutes, the Company may issue preference shares which are, or at the option of the Company are liable, to be redeemed.

13. Subject to the provisions of this Constitution and of the Act relating to authority, pre-emption rights and otherwise and of any resolution of the Company in a General Meeting passed pursuant thereto, all new shares shall be at the disposal of the Directors and they may allot (with or without conferring a right of renunciation), grant options over or otherwise dispose of them to such persons, at such times and on such terms as they think proper.

14. The Company may pay commissions or brokerage on any issue of shares at such rate or amount and in such manner as the Directors may deem fit. Such commissions or brokerage may be satisfied by the payment of cash or the allotment of fully or partly paid shares or partly in one way and partly in the other.

15. Subject to the terms and conditions of any application for shares, the Directors shall allot shares applied for within ten market days of the closing date (or such other period as may be approved by any Stock Exchange upon which the shares in the Company may be listed) of any such application. The term "market day" shall have the meaning ascribed to it in Regulation 19.

16. The Directors may, at any time after the allotment of any share but before any person has been entered in the Register of Members as the holder or (as the case may be) before that share is entered against the name of a Depositor in the Depository Register, recognise a renunciation thereof by the allottee in favour of some other person and may accord to any allottee of a share a right to effect such renunciation upon and subject to such terms and conditions as the Directors may think fit to impose.

SHARE CERTIFICATES

17. Every share certificate shall be issued under the Seal and shall specify the number and class of shares to which it relates, whether the shares are fully or partly paid up, and the amount (if any) unpaid thereon. No certificate shall be issued representing shares of more than one class.

18. (A) The Company shall not be bound to register more than three persons as the registered joint holders of a share except in the case of executors, trustees or administrators of the estate of a deceased member.

(B) In the case of a share registered jointly in the names of several persons, the Company shall not be bound to issue more than one certificate therefor and delivery of a certificate to any one of the registered joint holders shall be sufficient delivery to all.

19. Every person whose name is entered as a member in the Register of Members shall be entitled to receive within ten market days of the closing date of any application for shares (or such other period as may be approved by any Stock Exchange upon which the shares of the Company may be listed) or within fifteen market days after the date of lodgement of a registrable transfer (or such other period as may be approved by any Stock Exchange upon which the shares of the Company may be listed) one certificate for all his shares of any one class or several certificates in reasonable denominations each for a part of the shares so allotted or transferred. Where such a member transfers part only of the shares comprised in a certificate or where such a member requires the Company to cancel any certificate or certificates and issue new certificate(s) for the purpose of subdividing his holding in a different manner, the old certificate or certificates shall be cancelled and a new certificate or certificates for the balance of such shares issued in lieu thereof and such member shall pay a maximum fee of S$2 for each new certificate or such other fee as the Directors may from time to time determine having regard to any limitation thereof as may be prescribed by any Stock Exchange upon which the shares in the Company may be listed. For the purpose of this Regulations 19, the term "market day" shall mean a day on which the Singapore Exchange Securities Trading Limited is open for trading in securities.

20. (A) Any two or more certificates representing shares of any one class held by any person whose name is entered in the Register of Members may at his request be cancelled and a single new certificate for such shares issued in lieu without charge.

(B) If any person whose name is entered in the Register of Members shall surrender for cancellation a share certificate representing shares held by him and request the Company to issue in lieu two or more share certificates representing such shares in such proportions as he may specify, the Directors may, if they think fit, comply with such request. Such person shall (unless such fee is waived by the Directors) pay a maximum fee of $2 for each share certificate issued in lieu of a share certificate surrendered for cancellation or such other fee as the Directors may from time to time determine having regard to any limitation thereof as may be prescribed by any Stock Exchange upon which the shares in the Company may be listed.

(C) In the case of shares registered jointly in the names of several persons, any such request may be made by any one of the registered joint holders.

21. Subject to the provisions of the Act, if any share certificate shall be defaced, worn out, destroyed, lost or stolen, it may be renewed on such evidence being produced and a letter of indemnity (if required) being given by the shareholder, transferee, person entitled, purchaser, member firm or member company of any Stock Exchange upon which the Company is listed or on behalf of its or their client or clients as the Directors of the Company shall require, and (in case of defacement or wearing out) on delivery up of the old certificate and in any case on payment of such sum not exceeding S$1 as the Directors may from time to time require. In the case of destruction, loss or theft, a shareholder or person entitled to whom such renewed certificate is given shall also bear the loss and pay to the Company all expenses incidental to the investigations by the Company of the evidence of such destruction or loss.

CALLS ON SHARES

22. *The Directors may from time to time make calls upon the members in respect of any moneys unpaid on their shares but subject always to the terms of issue of such shares. A call shall be deemed to have been made at the time when the resolution of the Directors authorising the call was passed and may be made payable by installments.*

23. *Each member shall (subject to receiving at least fourteen days' notice specifying the time or times and place of payment) pay to the Company at the time or times and place so specified the amount called on his shares. The joint holders of a share shall be jointly and severally liable to pay all calls in respect thereof. A call may be revoked or postponed as the Directors may determine.*

24. *If a sum called in respect of a share is not paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest on the sum from the day appointed for payment thereof to the time of actual payment at such rate (not exceeding ten per cent. per annum) as the Directors determine but the Directors shall be at liberty in any case or cases to waive payment of such interest wholly or in part.*

25. *Any sum which by the terms of issue of a share becomes payable upon allotment or at any fixed date shall for all the purposes of this Constitution be deemed to be a call duly made and payable on the date on which by the terms of issue the same becomes payable. In case of non-payment, all the relevant provisions of this Constitution as to payment of interest and expenses, forfeiture or otherwise shall apply as if such sum had become payable by virtue of a call duly made and notified.*

26. *The Directors may on the issue of shares differentiate between the holders as to the amount of calls to be paid and the times of payment.*

27. *The Directors may, if they think fit, receive from any member willing to advance the same all or any part of the moneys uncalled and unpaid upon the shares held by him and such payment in advance of calls shall extinguish pro tanto the liability upon the shares in respect of which it is made and upon the moneys so received (until and to the extent that the same would but for such advance become payable) the Company may pay interest at such rate (not exceeding eight per cent. per annum) as the member paying such sum and the Directors may agree. Capital paid on shares in advance of calls shall not, while carrying interest, confer a right to participate in profits.*

FORFEITURE AND LIEN

28. *If a member fails to pay in full any call or instalment of a call on the due date for payment thereof, the Directors may at any time thereafter serve a notice on him requiring payment of so much of the call or instalment as is unpaid together with any interest which may have accrued thereon and any expenses incurred by the Company by reason of such non-payment.*

29. *The notice shall name a further day (not being less than fourteen days from the date of service of the notice) on or before which and the place where the payment required by the notice is to be made, and shall state that in the event of non-payment in accordance therewith, the shares on which the call has been made will be liable to be forfeited.*

30. *If the requirements of any such notice as aforesaid are not complied with, any share in respect of which such notice has been given may at any time thereafter, before payment of all calls and interest and expenses due in respect thereof has been made, be forfeited by a resolution of the Directors to that effect. Such forfeiture shall include all dividends declared in respect of the forfeited share and not actually paid before forfeiture. The Directors may accept a surrender of any share liable to be forfeited hereunder.*

31. *A share so forfeited or surrendered shall become the property of the Company and may be sold, re-allotted or otherwise disposed of either to the person who was before such forfeiture or surrender the holder thereof or entitled thereto or to any other person upon such terms and in such manner as the Directors shall think fit and at any time before a sale, re-allotment or disposition, the forfeiture or surrender may be cancelled on such terms as the Directors think fit. The Directors may, if necessary, authorise some person to transfer or effect the transfer of a forfeited or surrendered share to any such other person as aforesaid.*

32. *A member whose shares have been forfeited or surrendered shall cease to be a member in respect of the shares but shall notwithstanding the forfeiture or surrender remain liable to pay to the Company all moneys which at the date of forfeiture or surrender were presently payable by him to the Company in respect of the shares with interest thereon at eight per cent. per annum (or such lower rate as the Directors may determine) from the date of forfeiture or surrender until payment and the Directors may at their absolute discretion enforce payment without any allowance for the value of the shares at that time of forfeiture or surrender or waive payment in whole or in part.*

33. *The Company shall have a first and paramount lien on every share (not being a fully paid share) and on dividends declared or payable in respect thereof. Such lien shall be restricted to unpaid calls and installments upon the specific shares in respect of which such moneys are due and unpaid and for all moneys as the Company may be called upon by law to pay in respect of the shares of the member or deceased member. The Directors may waive any lien which has arisen and may resolve that any share shall for some limited period be exempt wholly or partially from the provisions of this Regulation.*

34. *The Company may sell in such manner as the Directors think fit any share on which the Company has a lien, but no sale shall be made unless some sum in respect of which the lien exists is presently payable nor until the expiration of fourteen days after a notice in writing stating and demanding payment of the sum presently payable and giving notice of intention to sell in default shall have been given to the holder for the time being of a share or the person entitled thereto by reason of his death or bankruptcy.*

35. *The residue of the proceeds of such sale pursuant to Regulation 34 after the satisfaction of the unpaid calls and accrued interest and expenses of such sale shall be paid to the person entitled to the shares at the time of the sale or to his executors, administrators or assigns, as he may direct. For the purpose of giving effect to any such sale, the Directors may authorise some person to transfer or effect the transfer of the shares sold to the purchaser.*

36. *A statutory declaration in writing that the declarant is a Director or the Secretary of the Company and that a share has been duly forfeited or surrendered or sold or disposed to satisfy a lien of the Company on a date stated in the declaration shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the share. Such declaration and the receipt of the Company for the consideration (if any) given for the share on the sale, re-allotment or disposal thereof together (where the same be required) with the share certificate delivered to a purchaser (or where the purchaser is a Depositor, to the Depository) or allottee thereof shall (subject to the execution of a transfer if the same is required) constitute a good title to the share and the share shall be registered in the name of the person to whom the share is sold, re-allotted or disposed of or, where such person is a Depositor, the Company shall procure that his name be entered in the Depository Register in respect of the share so sold, re-allotted or disposed of. Such person shall not be bound to see to the application of the purchase money (if any) nor shall his title to the share be affected by any irregularity or invalidity in the proceedings relating to the forfeiture, surrender, sale, re-allotment or disposal of the share.*

TRANSFER OF SHARES

37. Subject to the provisions of this Constitution, all transfers of the legal title in shares may be effected by the registered holders thereof by transfer in writing in the form for the time being approved by any Stock Exchange upon which the Company may be listed or any other form acceptable to the Directors. The instrument of transfer of any share shall be signed by or on behalf of both the transferor and the transferee and be witnessed Provided that an instrument of transfer in respect of which the transferee is the Depository shall be effective although not signed or witnessed by or on behalf of the Depository. The transferor shall remain the holder of the shares concerned until the name of the transferee is entered in the Register of Members in respect thereof.

38. The Register of Members may be closed at such times and for such period as the Directors may from time to time determine Provided always that such Register shall not be closed for more than thirty days in any year Provided always that the Company shall give prior notice of such closure as may be required to any Stock Exchange upon which the Company may be listed, stating the period and purpose or purposes for which the closure is made.

39. (A) There shall be no restriction on the transfer of fully paid up shares (except where required by law, the listing rules of any Stock Exchange upon which the shares of the Company may be listed or the rules and/or bye-laws governing any Stock Exchange upon which the shares of the Company may be listed) but the Directors may in their discretion decline to register any transfer of shares upon which the Company has a lien and in the case of shares not fully paid-up, may refuse to register a transfer to a transferee of whom they do not approve Provided always that in the event of the Directors refusing to register a transfer of shares, they shall within one month beginning with the day on which the application for a transfer of shares was made, serve a notice in writing to the applicant stating the facts which are considered to justify the refusal as required by the Statutes.

(B) The Directors may in their sole discretion refuse to register any instrument of transfer of shares unless:

(i) such fee not exceeding S$2 as the Directors may from time to time require pursuant to Regulation 42, is paid to the Company in respect thereof;

(ii) the amount of proper duty (if any) with which each instrument of transfer is chargeable under any law for the time being in force relating to stamps is paid;

(iii) the instrument of transfer is deposited at the Office or at such other place (if any) as the Directors may appoint accompanied by a certificate of payment of stamp duty (if any), the certificates of the shares to which the transfer relates, and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer and, if the instrument of transfer is executed by some other person on his behalf, the authority of the person so to do; and

(iv) the instrument of transfer is in respect of only one class of shares.

40. If the Directors refuse to register a transfer of any shares, they shall within one month after the date on which the transfer was lodged with the Company send to the transferor and the transferee notice of the refusal as required by the Statutes.

41. All instruments of transfer which are registered may be retained by the Company.

42. There shall be paid to the Company in respect of the registration of any instrument of transfer or probate or letters of administration or certificate of marriage or death or stop notice or power of attorney or other document relating to or affecting the title to any shares or otherwise for making any entry in the Register of Members affecting the title to any shares such fee not exceeding S$2 as the Directors may from time to time require or prescribe.

43. *The Company shall be entitled to destroy all instruments of transfer which have been registered at any time after the expiration of six years from the date of registration thereof and all dividend mandates and notifications of change of address at any time after the expiration of six years from the date of recording thereof and all share certificates which have been cancelled at any time after the expiration of six years from the date of the cancellation thereof and it shall conclusively be presumed in favour of the Company that every entry in the Register of Members purporting to have been made on the basis of an instrument of transfer or other document so destroyed was duly and properly made and every instrument of transfer so destroyed was a valid and effective instrument duly and properly registered and every share certificate duly and properly cancelled and every other document hereinbefore mentioned so destroyed was a valid and effective document in accordance with the recorded particulars thereof in the books or records of the Company; Provided always that:*

(a) *the provisions aforesaid shall apply only to the destruction of a document in good faith and without notice of any claim (regardless of the parties thereto) to which the document might be relevant;*

(b) *nothing herein contained shall be construed as imposing upon the Company any liability in respect of the destruction of any such document earlier than as aforesaid or in any other circumstances which would not attach to the Company in the absence of this Regulation; and*

(c) *references herein to the destruction of any document include references to the disposal thereof in any manner.*

TRANSMISSION OF SHARES

44. (A) *In the case of the death of a member whose name is entered in the Register of Members, the survivors or survivor where the deceased was a joint holder, and the executors or administrators of the deceased where he was a sole or only surviving holder, shall be the only person(s) recognised by the Company as having any title to his interest in the shares.*

(B) *In the case of the death of a member who is a Depositor, the survivor or survivors where the deceased is a joint holder, and the executors or administrators of the deceased where he was a sole or only surviving holder and where such executors or administrators are entered in the Depository Register in respect of any shares of the deceased member, shall be the only person(s) recognised by the Company as having any title to his interest in the shares.*

(C) *Nothing in this Regulation shall release the estate of a deceased holder (whether sole or joint) from any liability in respect of any share held by him.*

45. *Any person becoming entitled to the legal title in a share in consequence of the death or bankruptcy of a member whose name is entered in the Register of Members may (subject as hereinafter provided) upon supplying to the Company such evidence as the Directors may reasonably require to show his legal title to the share either be registered himself as holder of the share upon giving to the Company notice in writing of such desire or transfer such share to some other person. All the limitations, restrictions and provisions of this Constitution relating to the right to transfer and the registration of transfers of shares shall be applicable to any such notice or transfer as aforesaid as if the death or bankruptcy of the member whose name is entered in the Register of Members had not occurred and the notice or transfer were a transfer executed by such member.*

46. *Save as otherwise provided by or in accordance with this Constitution, a person becoming entitled to a share pursuant to Regulation 44(A) or (B) or Regulation 45 (upon supplying to the Company such evidence as the Directors may reasonably require to show his title to the share) shall be entitled to the same dividends and other advantages as those to which he would be entitled if he were the member in respect of the share except that he shall not be entitled in respect thereof (except with the authority of the Directors) to exercise any right conferred by membership in relation to meetings of the Company until he shall have been registered as a member in the Register of Members or his name shall have been entered in the Depository Register in respect of the share.*

CONVERSION OF SHARES INTO STOCK

47. *The Company may from time to time by Ordinary Resolution convert any paid-up shares into stock and may from time to time by like resolution reconvert any stock into paid-up shares.*

48. *The holders of stock may transfer the same or any part thereof in the same manner and subject to the same Regulations and subject to which the shares from which the stock arose might previously to conversion have been transferred (or as near thereto as circumstances admit) but no stock shall be transferable except in such units as the Directors may from time to time determine.*

49. *The holders of stock shall, according to the number of stock units held by them, have the same rights, privileges and advantages as regards dividend, return of capital, voting and other matters, as if they held the shares from which the stock arose, but no such privilege or advantage (except as regards participation in the profits or assets of the Company) shall be conferred by the number of stock units which would not, if existing in shares, have conferred such privilege or advantage; and no such conversion shall affect or prejudice any preference or other special privileges attached to the shares so converted.*

2. The rights of Shareholders in respect of voting

GENERAL MEETINGS

50. *An Annual General Meeting shall be held once in every year, at such time (within a period of not more than fifteen months after the holding of the last preceding Annual General Meeting) and place as may be determined by the Directors. All other General Meetings shall be called Extraordinary General Meetings.*

51. *The Directors may whenever they think fit, and shall on requisition in accordance with the Statutes, proceed with proper expedition to convene an Extraordinary General Meeting.*

NOTICE OF GENERAL MEETINGS

52. *Any General Meeting at which it is proposed to pass a Special Resolution or (save as provided by the Statutes) a resolution of which special notice has been given to the Company, shall be called by twenty-one days' notice in writing at the least and an Annual General Meeting and any other Extraordinary General Meeting by fourteen days' notice in writing at the least. The period of notice shall in each case be exclusive of the day on which it is served or deemed to be served and of the day on which the meeting is to be held and shall be given in the manner hereinafter mentioned to all members other than such as are not under the provisions of this Constitution and the Act entitled to receive such notices from the Company; Provided that a General Meeting notwithstanding that it has been called by a shorter notice than that specified above shall be deemed to have been duly called if it is so agreed:*

(a) *in the case of an Annual General Meeting, by all the members entitled to attend and vote thereat; and*

(b) *in the case of an Extraordinary General Meeting, by a majority in number of the members having a right to attend and vote thereat, being a majority together holding not less than ninety-five per cent of the total voting rights of all the members having a right to vote at that meeting,* *Provided also that the accidental omission to give notice to or the non-receipt of notice by any person entitled thereto shall not invalidate the proceedings at any General Meeting. At least fourteen days' notice of any General Meeting shall be given by advertisement in the daily press and in writing to any Stock Exchange upon which the Company may be listed.*

53. (A) Every notice calling a General Meeting shall specify the place and the day and hour of the meeting, and there shall appear with reasonable prominence in every notice a statement that a member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of him and that a proxy need not be a Member of the Company.

(B) In the case of an Annual General Meeting, the notice shall also specify the meeting as such.

(C) In the case of any General Meeting at which business other than routine business is to be transacted, the notice shall specify the general nature of such business; and if any resolution is to be proposed as a Special Resolution, the notice shall contain a statement to that effect.

54. Routine business shall mean and include only business transacted at an Annual General Meeting of the following classes, that is to say:-

(a) declaring dividends;

(b) receiving and adopting the financial statements, the Directors' statement, the Auditor's report and other documents required to be attached or annexed to the financial statements;

(c) appointing or re-appointing Directors to fill vacancies arising at the meeting on retirement whether by rotation or otherwise;

(d) re-appointing the retiring Auditors (unless they were last appointed otherwise than by the Company in General Meeting);

(e) fixing the remuneration of the Auditors or determining the manner in which such remuneration is to be fixed; and

(f) fixing the remuneration of the Directors proposed to be passed under Regulation 80.

55. Any notice of a General Meeting to consider special business shall be accompanied by a statement regarding the effect of any proposed resolution on the Company in respect of such special business.

PROCEEDINGS AT GENERAL MEETINGS

56. The Chairman of the Board of Directors, failing whom the Deputy Chairman, shall preside as chairman at a General Meeting. If there be no such Chairman or Deputy Chairman, or if at any meeting neither be present within five minutes after the time appointed for holding the meeting and willing to act, the Directors present shall choose one of their number (or, if no Director be present or if all the Directors present decline to take the chair, the members present shall choose one of their number) to be chairman of the meeting.

57. No business other than the appointment of a chairman shall be transacted at any General Meeting unless a quorum is present at the time when the meeting proceeds to business. Save as herein otherwise provided, the quorum at any General Meeting shall be two or more members present in person or by proxy.

58. If within thirty minutes from the time appointed for a General Meeting (or such longer interval as the chairman of the meeting may think fit to allow) a quorum is not present, the meeting, if convened on the requisition of members, shall be dissolved. In any other case, it shall stand adjourned to the same day in the next week (or if that day is a public holiday, then to the next business day following that public holiday) at the same time and place or such other day, time or place as the Directors may by not less than ten days' notice appoint. At the adjourned meeting, any one or more members present in person or by proxy shall be a quorum.

59. *The chairman of any General Meeting at which a quorum is present may with the consent of the meeting (and shall if so directed by the meeting) adjourn the meeting from time to time (or sine die) and from place to place, but no business shall be transacted at any adjourned meeting except business which might lawfully have been transacted at the meeting from which the adjournment took place. Where a General Meeting is adjourned sine die, the time and place for the adjourned meeting shall be fixed by the Directors. When a meeting is adjourned for thirty days or more or sine die, notice of the adjourned meeting shall be given in like manner as in the case of the original meeting.*

60. *Save as hereinbefore expressly provided, it shall not be necessary to give any notice of an adjournment or of the business to be transacted at an adjourned meeting.*

61. *If an amendment shall be proposed to any resolution under consideration but shall in good faith be ruled out of order by the chairman of the meeting, the proceedings on the substantive resolution shall not be invalidated by any error in such ruling. In the case of a resolution duly proposed as a Special Resolution, no amendment thereto (other than a mere clerical amendment to correct a patent error) may in any event be considered or voted upon.*

62. (A) *If required by the listing rules of any stock exchange upon which the shares of the Company may be listed, all resolutions at General Meetings shall be voted by poll (unless such requirement is waived by such stock exchange).*

(B) *Subject to Regulation 62(A), at any General Meeting, a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands) demanded by:-*

(a) *the chairman of the meeting; or*

(b) *not less than two members present having the right to vote at the meeting in person or by proxy and entitled to vote; or*

(c) *a member present having the right to vote at the meeting in person or by proxy and representing not less than 5 per cent of the total voting rights of all the members having the right to vote at the meeting; or*

(d) *by any member or members present having the right to vote at the meeting in person or by proxy and holding not less than 5 per cent. of the total number of paid-up shares of the Company (excluding treasury shares),*

Provided always that no poll shall be demanded on the choice of a chairman or on a question of adjournment.

63. *A demand for a poll may be withdrawn only with the approval of the meeting. Unless a poll is required, a declaration by the chairman of the meeting that a resolution has been carried, or carried unanimously, or by a particular majority, or lost, and an entry to that effect in the minute book, shall be conclusive evidence of that fact without proof of the number or proportion of the votes recorded for or against such resolution. If a poll is required, it shall be taken in such manner (including the use of ballot or voting papers or tickets) as the chairman of the meeting may direct, and the result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded. The chairman of the meeting may (and if so directed by the meeting shall) appoint scrutineers and may adjourn the meeting to some place and time fixed by him for the purpose of declaring the result of the poll.*

64. *In the case of an equality of votes, whether on a show of hands or on a poll, the chairman of the meeting at which the show of hands takes place or at which the poll is demanded shall be entitled to a casting vote.*

65. A poll on the election of a Chairman or on a question of adjournment shall be taken forthwith. A poll demanded on any question shall be taken either immediately or at such subsequent time (not being more than thirty days from the date of the meeting) and place as the chairman may direct. No notice need be given of a poll not taken immediately. The demand for a poll shall not prevent the continuance of the meeting for the transaction of any business other than the question on which the poll has been demanded.

VOTES OF MEMBERS

66. Subject and without prejudice to any special privileges or restrictions as to voting for the time being attached to any special class of shares for the time being forming part of the capital of the Company and to Regulation 5, each member entitled to vote may vote in person or by proxy. On a show of hands, every member who is present in person or by proxy shall:-

(a) have one vote for every share which he holds or represents; and

(b) on a show of hands, have one vote, provided that:-

(i) in the case of a member who is not a relevant intermediary and who is represented by two proxies, only one of those two proxies as determined by that member or, failing such determination, by the Chairman of the meeting (or by a person authorised by him) in his sole discretion shall be entitled to vote on a show of hands; and

(ii) in the case of a member who is a relevant intermediary and who is represented by two or more proxies, each proxy shall be entitled to vote on a show of hands.

For the purpose of determining the number of votes which a member, being a Depositor, or his proxy may cast at any General Meeting on a poll, the reference to shares held or represented shall, in relation to shares of that Depositor, be the number of shares entered against his name in the Depository Register as at seventy-two hours before the time of the relevant General Meeting as certified by the Depository to the Company.

67. In the case of joint holders of a share, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders and for this purpose, seniority shall be determined by the order in which the names stand in the Register of Members or (as the case may be) the Depository Register in respect of the share.

68. Where in Singapore or elsewhere, a receiver or other person (by whatever name called) has been appointed by any court claiming jurisdiction in that behalf to exercise powers with respect to the property or affairs of any member on the ground (however formulated) of mental disorder, the Directors may in their absolute discretion, upon or subject to production of such evidence of the appointment as the Directors may require, permit such receiver or other person on behalf of such member to vote in person or by proxy at any General Meeting or to exercise any other right conferred by membership in relation to meetings of the Company.

69. No member shall, unless the Directors otherwise determine, be entitled in respect of shares held by him to vote at a General Meeting either personally or by proxy or to exercise any other right conferred by membership in relation to meetings of the Company if any call or other sum presently payable by him to the Company in respect of such shares remains unpaid.

70. No objection shall be raised as to the admissibility of any vote except at the meeting or adjourned meeting at which the vote objected to is, or may, be given or tendered and every vote not disallowed at such meeting shall be valid for all purposes. Any such objection shall be referred to the chairman of the meeting whose decision shall be final and conclusive.

71. On a poll, votes may be given personally or by proxy and a person entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

72. (A) Save as otherwise provided in the Act:-

(i) a member who is not a relevant intermediary may appoint not more than two proxies to attend and vote at the same General Meeting. Where such member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy; and

(ii) a member who is a relevant intermediary may appoint more than two proxies to attend, speak and vote at the same General Meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

(B) In any case where a member is a Depositor, the Company shall be entitled and bound:-

(i) to reject any instrument of proxy lodged if the Depositor is not shown to have any shares entered against his name in the Depository Register as at seventy-two hours before the time of the relevant General Meeting as certified by the Depository to the Company; and

(ii) to accept as the maximum number of votes which in aggregate the proxy or proxies appointed by the Depositor is or are able to cast on a poll a number which is the number of shares entered against the name of that Depositor in the Depository Register as at seventy-two hours before the time of the relevant General Meeting as certified by the Depository to the Company, whether that number is greater or smaller than the number specified in any instrument of proxy executed by or on behalf of that Depositor.

(C) The Company shall be entitled and bound, in determining rights to vote and other matters in respect of a completed instrument of proxy submitted to it, to have regard to the instruments (if any) given by and the notes (if any) set out in the instrument of proxy.

(D) A proxy need not be a member of the Company.

73. (A) An instrument appointing a proxy shall be in writing in any usual or common form or in any other form which the Directors may approve and:

(a) in the case of an individual, shall be:-

(i) signed by the appointor or his attorney if the instrument of proxy is delivered personally or sent by post; or

(ii) subject always to Regulation 139, authorised by that individual through such method and in such manner as may be approved by the Directors, if the instrument is submitted by electronic communication; and

(b) in the case of a corporation, shall be:-

(i) either given under its common seal or signed on its behalf by an attorney or a duly authorised officer of the corporation if the instrument of proxy is delivered personally or sent by post; or

(ii) subject always to Regulation 139, authorised by that corporation through such method and in such manner as may be approved by the Directors, if the instrument is submitted by electronic communication.

The Directors may, for the purposes of Regulations 73(A)(a)(ii) and 73(A)(b)(ii), designate procedures for authenticating any such instrument, and any such instrument not so authenticated by use of such procedures shall be deemed not to have been received by the Company.

(B) The signature on, or authorization of, such instrument need not be witnessed. Where an instrument appointing a proxy is signed on behalf of the appointor (which shall, for purposes of this paragraph include a Depositor) by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy pursuant to Regulation 74, failing which the instrument may be treated as invalid.

74. An instrument appointing a proxy or the power of attorney or other authority, if any:-

(A) if sent personally or by post, must be left at such place or one of such places (if any) as may be specified for that purpose in or by way of note to or in any document accompanying the notice convening the meeting (or, if no place is so specified, at the Office); or

(B) subject always to Regulation 139, if submitted by electronic communication, must be received through such means as may be specified for that purpose or by way of note to or in any document accompanying the notice convening the General Meeting,

and in either case not less than seventy-two hours before the time appointed for the holding of the meeting or adjourned meeting or (in the case of a poll taken otherwise than at or on the same day as the meeting or adjourned meeting) for the taking of the poll at which it is to be used, and in default shall not be treated as valid. The instrument shall, unless the contrary is stated thereon, be valid as well for any adjournment of the meeting as for the meeting to which it relates; Provided that an instrument of proxy relating to more than one meeting (including any adjournment thereof) having once been so delivered for the purposes of any meeting shall not be required again to be delivered for the purposes of any subsequent meeting to which it relates.

75. An instrument appointing a proxy shall be deemed to include the right to demand or join in demanding a poll, to move any resolution or amendment thereto and to speak at the meeting.

76. A vote cast by proxy shall not be invalidated by the previous death or insanity of the principal or by the revocation of the appointment of the proxy or of the authority under which the appointment was made Provided that no intimation in writing of such death, insanity or revocation shall have been received by the Company at the Office at least one hour before the commencement of the meeting or adjourned meeting or (in the case of a poll taken otherwise than at or on the same day as the meeting or adjourned meeting) the time appointed for the taking of the poll at which the vote is cast.

CORPORATIONS ACTING BY REPRESENTATIVES

77. Any corporation which is a member of the Company may by resolution of its directors or other governing body authorise such person as it thinks fit to act as its representative at any meeting of the Company or of any class of members of the Company. The person so authorised shall be entitled to exercise the same powers on behalf of such corporation as the corporation could exercise if it were an individual member of the Company and such corporation shall for the purposes of this Constitution (but subject to the Act) be deemed to be present in person at any such meeting if a person so authorised is present thereat.

3. The rights of Shareholders in respect of dividends

RESERVES

121. The Directors may from time to time set aside out of the profits of the Company and carry to reserve such sums as they think proper which, at the discretion of the Directors, shall be applicable for any purpose to which the profits of the Company may properly be applied and pending such application may either be employed in the business of the Company or be invested. The Directors may divide the reserve into such special funds as they think fit and may consolidate into one fund any special funds or any parts of any special funds into which the reserve may have been divided. The Directors may also, without placing the same to reserve, carry forward any profits. In carrying sums to reserve and in applying the same, the Directors shall comply with the provisions (if any) of the Statutes.

DIVIDENDS

122. The Company may by Ordinary Resolution declare dividends but no such dividend shall exceed the amount recommended by the Directors. No dividend may be paid, unless otherwise provided in the Statutes to the Company in respect of treasury shares.

123. If and so far as in the opinion of the Directors the profits of the Company justify such payments, the Directors may declare and pay the fixed dividends on any class of shares carrying a fixed dividend expressed to be payable on fixed dates on the half-yearly or other dates prescribed for the payment thereof and may also from time to time declare and pay interim dividends on shares of any class of such amounts and on such dates and in respect of such periods as they think fit.

124. Subject to any rights or restrictions attached to any shares or class of shares and except as otherwise permitted under the Act:

(a) all dividends in respect of shares must be paid in proportion to the number of shares held by a member but where shares are partly paid all dividends must be apportioned and paid proportionately to the amounts paid or credited as paid on the partly paid shares; and

(b) all dividends must be apportioned and paid proportionately to the amounts so paid or credited as paid during any portion or portions of the period in respect of which the dividend is paid.

For the purposes of this Regulation, an amount paid or credited as paid on a share in advance of a call is to be ignored.

125. No dividend shall be paid otherwise than out of profits available for distribution under the provisions of the Statutes.

126. No dividend or other moneys payable on or in respect of a share shall bear interest as against the Company.

127. (A) The Directors may retain any dividend or other moneys payable on or in respect of a share on which the Company has a lien and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists.

(B) The Directors may retain the dividends payable upon shares in respect of which any person is under the provisions as to the transmission of shares hereinbefore contained entitled to become a member, or which any person is under those provisions entitled to transfer, until such person shall become a member in respect of such shares or shall transfer the same.

128. The waiver in whole or in part of any dividend on any share by any document (whether or not under seal) shall be effective only if such document is signed by the shareholder (or the person entitled to the share in consequence of the death or bankruptcy of the holder) and delivered to the Company and if or to the extent that the same is accepted as such or acted upon by the Company.

129. The Company may upon the recommendation of the Directors by Ordinary Resolution direct payment of a dividend in whole or in part by the distribution of specific assets (and in particular of paid-up shares or debentures of any other company) and the Directors shall give effect to such resolution. Where any difficulty arises in regard to such distribution, the Directors may settle the same as they think expedient and in particular may issue fractional certificates, may fix the value for distribution of such specific assets or any part thereof, may determine that cash payments shall be made to any members upon the footing of the value so fixed in order to adjust the rights of all parties and may vest any such specific assets in trustees as may seem expedient to the Directors.

130. Any dividend or other moneys payable in cash on or in respect of a share may be paid by cheque or warrant sent through the post to the registered address appearing in the Register of Members or (as the case may be) the Depository Register of a member or person entitled thereto (or, if two or more persons are registered in the Register of Members or (as the case may be) entered in the Depository Register as joint holders of the share or are entitled thereto in consequence of the death or bankruptcy of the holder, to any one of such persons) or to such person at such address as such member or person or persons may by writing direct. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent or to such person as the holder or joint holders or person or persons entitled to the share in consequence of the death or bankruptcy of the holder may direct and payment of the cheque or warrant by the banker upon whom it is drawn shall be a good discharge to the Company. Every such cheque or warrant shall be sent at the risk of the person entitled to the money represented thereby. Notwithstanding the foregoing provisions of this Regulation and the provisions of Regulation 132, the payment by the Company to the Depository of any dividend payable to a Depositor shall, to the extent of the payment made to the Depository, discharge the Company from any liability to the Depositor in respect of that payment.

131. If two or more persons are registered in the Register of Members or (as the case may be) the Depository Register as joint holders of any share, or are entitled jointly to a share in consequence of the death or bankruptcy of the holder, any one of them may give effectual receipts for any dividend or other moneys payable or property distributable on or in respect of the share.

132. Any resolution declaring a dividend on shares of any class, whether a resolution of the Company in a General Meeting or a resolution of the Directors, may specify that the same shall be payable to the persons registered as the holders of such shares in the Register of Members or (as the case may be) the Depository Register at the close of business on a particular date and thereupon the dividend shall be payable to them in accordance with their respective holdings so registered, but without prejudice to the rights inter se in respect of such dividend of transferors and transferees of any such shares.

BONUS ISSUES AND CAPITALISATION OF PROFITS AND RESERVES

133. (A) The Directors may, with the sanction of an Ordinary Resolution of the Company (including any Ordinary Resolution passed pursuant to Regulation 8(B)):

(i) issue bonus shares for which no consideration is payable to the Company to the persons registered as holders of shares in the Register of Members or (as the case may be) in the Depository Register at the close of business on:

(a) the date of the Ordinary Resolution (or such other date as may be specified therein or determined as therein provided); or

(b) (in the case of an Ordinary Resolution passed pursuant to Regulation 8(B)) such other date as may be determined by the Directors, in proportion to their then holdings of shares; and/or

(ii) *capitalise any sum standing to the credit of any of the Company's reserve accounts or other undistributable reserve or any sum standing to the credit of profit and loss account by appropriating such sum to the persons registered as holders of shares in the Register of Members or (as the case may be) in the Depository Register at the close of business on:*

(a) *the date of the Ordinary Resolution (or such other date as may be specified therein or determined as therein provided); or*

(b) *(in the case of an Ordinary Resolution passed pursuant to Regulation 8(B)) such other date as may be determined by the Directors, in proportion to their then holdings of shares and applying such sum on their behalf in paying up in full new shares (or, subject to any special rights previously conferred on any shares or class of shares for the time being issued, new shares of any other class not being redeemable shares) for allotment and distribution credited as fully paid up to and amongst them as bonus shares in the proportion aforesaid.*

(B) *The Directors may do all acts and things considered necessary or expedient to give effect to any such bonus issue and/or capitalization under Regulation 133(A), with full power to the Directors to make such provisions as they think fit for any fractional entitlements which would arise on the basis aforesaid (including provisions whereby fractional entitlements are disregarded or the benefit thereof accrues to the Company rather than to the members concerned). The Directors may authorise any person to enter on behalf of all the members interested into an agreement with the Company providing for any such bonus issue and/or capitalisation and matters incidental thereto and any agreement made under such authority shall be effective and binding on all concerned.*

(C) *In addition and without prejudice to the powers provided for by Regulation 133(A) above, the Directors shall have power to issue shares for which no consideration is payable to the Company and/or to capitalize any undivided profits or other moneys of the Company not required for the payment or provision of any dividend on any shares entitled to cumulative or non-cumulative preferential dividends (including profits or other moneys carried and standing to any reserve or reserves) and to apply such profits or other moneys in paying up in full new shares, in each case on terms that such shares shall, upon issue:-*

(i) *be held by or for the benefit of participants of any share incentive or option scheme or plan implemented by the Company and approved by the shareholders in General Meeting in such manner and on such terms as the Directors shall think fit; or*

(ii) *be held by or for the benefit of non-executive Directors as part of their remuneration under Regulation 80 and/or Regulation 81 approved by shareholders in General Meeting in such manner and on such terms as the Directors shall think fit.*

The Directors may do all such acts and things considered necessary or expedient to give effect to any of the foregoing.

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

		Group		Company	
	Note	**2019**	**2018**	**2019**	**2018**
		$'000	**$'000**	**$'000**	**$'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 $'000	Other reserves $'000	Retained earnings $'000	Sub-total $'000	Non-controlling interests $'000	Total equity $'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
<u>Other comprehensive income</u>						
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
<u>Contributions by and distributions to owners</u>						
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 $'000	Other reserves $'000	Retained earnings $'000	Sub-total $'000	Non-controlling interests $'000	Total equity $'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.

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.

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	2018
	$'000	$'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	2018
	$'000	$'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	**2018**
	$'000	**$'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	**2018**
	$'000	**$'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	2018
	$'000	$'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	2018
	$'000	$'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 $'000	Motor launches $'000	Machinery and equipment $'000	Office equipment $'000	Motor vehicles $'000	Construction in progress $'000	Deferred drydocking expenditure $'000	Total $'000
Accumulated depreciation 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 $'000	Motor launches $'000	Machinery and equipment $'000	Office equipment $'000	Motor vehicles $'000	Deferred drydocking expenditure $'000	Total $'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:

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

	1 January 2018 $'000	Financing cash flows $'000	31 December 2018 $'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 $'000	Company $'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	31 December 2019
			Additions	
	$'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		Company	
	2019 $'000	2018 $'000	2019 $'000	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		Company	
	2019 $'000	2018 $'000	2019 $'000	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		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'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	2018
	$'000	$'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	2018
	$'000	$'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		Company	
	Related parties		Subsidiaries	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'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	**2018**
	$'000	**$'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	**2018**	**2019**	**2018**	**2019**	**2018**		**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**		**$'000**	**$'000**
		Reclassification		Reclassification		Reclassification			
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 $'000	2018 $'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 $'000	2018 $'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 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'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	2018
	$'000	$'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	2018
	$'000	$'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	Financial assets/ liabilities at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial liabilities at amortised cost	Total
	$'000	$'000	$'000	$'000	$'000
Group					
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 $'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
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.

CONSOLIDATED INCOME STATEMENT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Group	
	2020 $'000	2019 $'000
		Reclassification
Revenue	119,417	136,337
Cost of sales	(85,919)	(95,767)
Gross profit	33,498	40,570
Other operating income	10,043	6,084
Distribution costs	(195)	(284)
Administrative expenses	(20,960)	(19,223)
Other operating expenses	(7,168)	(8,039)
Finance cost	(263)	(128)
Interest income	409	981
Profit before tax	15,364	19,961
Income tax expense	(2,157)	(547)
Profit for the year	13,207	19,414
Attributable to:		
Owners of the company		
Profit for the year attributable to owners of the company	13,208	19,415
Non-controlling interests		
Loss for the year attributable to non-controlling interest	(1)	(1)
Profit for the year	13,207	19,414

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME STATEMENT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Group	
	2020	2019
	$'000	$'000
Profit for the year	**13,207**	**19,414**
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss		
Net effect of exchange differences arising on quasi capital non-trade amount due from subsidiaries	**(921)**	**(524)**
Foreign currency translation	**(35)**	**(116)**
	(956)	**(640)**
Items that will not be reclassified subsequently to profit or loss		
Changes in fair value of equity investment at FVOCI	**(1,457)**	**-**
Issue of Management Award Shares as per the investment agreement with respect to Marco Polo Marine Limited	**-**	**(543)**
	(1,457)	**(543)**
Other comprehensive income for the year, net of tax	**(2,413)**	**(1,183)**
Total comprehensive income for the year, net of tax	**10,794**	**18,231**
Total comprehensive income for the year attributable to:		
Owners of the company	**10,795**	**18,232**
Non-controlling interests	**(1)**	**(1)**
Total comprehensive income for the year	**10,794**	**18,231**

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	Group		Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
		Reclassification		Reclassification
Equity attributable to owners of the Company				
Share capital	94,943	94,943	94,943	94,943
Reserves	79,696	72,754	26,003	24,481
Non-controlling interest	(4)	(3)	-	-
Total equity	174,635	167,694	120,946	119,424
Non-current assets				
Intangible asset	78	78	-	-
Property, plant and equipment	100,451	82,174	1,606	3,027
Right-of-use assets	8,984	2,253	727	1,653
Investments in subsidiaries	-	-	19,551	18,390
Loan to a subsidiary	-	-	70,837	70,837
Quoted investment	3,157	5,157	3,157	5,157
Other investments	-	-	-	-
Other receivable	2,345	124	-	-
Current assets				
Inventories	57,344	42,008	-	-
Trade receivables	10,120	13,139	1,798	1,906
Other receivables and deposits	12,692	14,469	363	487
Contract assets	1,695	3,268	-	156
Prepayments	409	577	96	150
Loan to subsidiaries	-	-	34,886	24,330
Short-term deposits	4,201	34,885	-	10,227
Cash and bank balances	35,775	25,018	7,175	1,098
	122,236	133,364	44,318	38,354
Assets classified as held for sale	-	7,322	-	1,412
	122,236	140,686	44,318	39,766
Current liabilities				
Trade payables	18,767	16,038	-	193
Other payables and accruals	22,309	37,543	2,328	3,008
Provisions	483	522	-	193
Contract liabilities	776	1,042	428	93
Deferred revenue	500	-	124	-
Provision for income tax	2,209	1,427	518	335
Lease liabilities	1,350	1,292	765	897
Term loan	958	83	958	-
Deposit from subsidiaries	-	-	8,896	11,724
	47,352	57,947	14,017	16,443
Net current assets	74,884	82,739	30,301	23,323
Non-current liabilities				
Deferred tax liabilities	2,219	2,075	132	568
Provisions	1,765	1,726	1,604	1,604
Lease liabilities	7,783	1,030	-	791
Term loan	3,497	-	3,497	-
Net Assets	174,635	167,694	120,946	119,424

The comparative figures for the Group's Trade receivables, Other receivables and deposits as at 31 December 2019 had been reclassified. The net GST recoverable of $465,000 that was previously classified as Trade receivables had been reclassified to Other receivables and deposits to provide a more meaningful comparison.

The comparative figures for the Company's Trade payables, Other payables and accruals as at 31 December 2019 had been reclassified. The net GST payable of $26,000 that was previously classified as Trade payables had been reclassified to Other payables and accruals to provide a more meaningful comparison.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

Group	Attributable to owners of the Company					
	Share capital $'000	Other reserves $'000	Revenue reserve $'000	Total $'000	Non-controlling interest $'000	Total Equity $'000
Opening balance as at 1 January 2020	94,943	(10,079)	82,833	167,697	(3)	167,694
Profit for the year	-	-	13,208	13,208	(1)	13,207
Other comprehensive income						
Net effect of exchange differences arising on quasi capital non-trade amount due from 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
Contributions by and distributions to owners						
Dividend paid	-	-	(3,853)	(3,853)	-	(3,853)
Total contributions by and distributions to owners	-	-	(3,853)	(3,853)	-	(3,853)
Closing balance as at 31 December 2020	94,943	(12,492)	92,188	174,639	(4)	174,635

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

Group	Attributable to owners of the Company					
	Share capital $'000	Other reserves $'000	Revenue reserve $'000	Total $'000	Non-controlling interest $'000	Total Equity $'000
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 on quasi capital non-trade amount due from 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	-	(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	-	-	(2,752)	(2,752)	-	(2,752)
Total contributions by and distributions to owners	-	-	(2,752)	(2,752)	-	(2,752)
Closing balance as at 31 December 2019	94,943	(10,079)	82,833	167,697	(3)	167,694

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

Company	Share capital $'000	Other reserve $'000	Revenue reserve $'000	Total Equity $'000
Opening balance as at 1 January 2020	94,943	(3,386)	27,867	119,424
Profit for the year	-	-	6,832	6,832
Other comprehensive income				
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
Contributions by and distributions to owners				
Dividend paid	-	-	(3,853)	(3,853)
Total contributions by and distributions to owners	-	-	(3,853)	(3,853)
Closing balance as at 31 December 2020	94,943	(4,843)	30,846	120,946

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

Company	Share capital $'000	Other reserve $'000	Revenue reserve $'000	Total $'000
Balance as 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	-	(543)	-	(543)
	-	(543)	-	(543)
Total comprehensive income for the year	-	(543)	7,208	6,665
Contributions by and distributions to owners				
Dividend paid	-	-	(2,752)	(2,752)
Total contributions by and distributions to owners	-	-	(2,752)	(2,752)
Closing balance as at 31 December 2019	94,943	(3,386)	27,867	119,424

CONSOLIDATED CASH FLOW STATEMENT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Group	
	2020	2019
	$'000	$'000
		Reclassification
Cash flows from operating activities		
Profit before tax	15,364	19,961
Adjustments:		
Depreciation of property, plant and equipment and right-of-use assets	10,409	10,046
Gain on disposal of property, plant and equipment	(5,328)	(4,030)
Property, plant and equipment written off	19	9
Interest expense	218	84
Interest income	(409)	(981)
Allowance / (reversal of allowance) for doubtful trade receivable	321	(141)
(Reversal of impairment) / impairment on inventory	(20)	530
Provision for employee retirement benefits	45	33
Net fair value loss on derivatives	-	163
Provision of warranty claims on shipbuilding contracts, net	333	483
Currency alignment	(1,280)	17
Operating cash flows before changes in working capital	19,672	26,174
Inventories	(15,900)	(21,930)
Trade receivables	2,698	6,932
Other receivables, deposits and prepayments	(322)	1,649
Contract assets	1,573	11,544
Trade payables	2,729	(2,047)
Other payables and accruals	(14,691)	13,210
Provision	(372)	(157)
Contract liabilities	(266)	(3,673)
Deferred revenue	500	(178)
Cash (used in) / from operations	(4,379)	31,524
Interest paid	(218)	(84)
Interest received	409	981
Income taxes paid, net	(1,171)	(1,832)
Net cash (used in) / generated from operating activities	(5,359)	30,589
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	21,762	13,700
Additions to property, plant and equipment	(36,092)	(22,289)
Net cash used in investing activities	(14,330)	(8,589)
Cash flows from financing activities		
Proceed from term loan	5,000	-
Repayment of term loans	(628)	(1,000)
Increase in pledged deposits with licensed banks	(1,883)	(1,139)
Payment of principal portion of lease liabilities	(1,467)	(765)
Dividend paid	(3,853)	(2,752)
Net cash used in financing activities	(2,831)	(5,656)
Net (decrease) / increase in cash and cash equivalents	(22,520)	16,344
Effect of exchange rate change on cash and cash equivalents	710	(200)
Cash and cash equivalents at beginning of year	57,150	41,006
Cash and cash equivalents at end of year	35,340	57,150

The comparative figures for Trade receivables, Other receivables and deposits as at 31 December 2019 had been reclassified due to the net GST recoverable of $465,000 that was previously classified as Trade receivables had been reclassified to Other receivables and deposits to provide a more meaningful comparison.

SEGMENTED RESULTS 31 DECEMBER 2020

	Chartering	Shipbuilding and ship repairs and maintenance	Discontinued Operation	Adjustments & Eliminations	Group
	$'000	$'000	$'000	$'000	$'000
Revenue					
Sales to external customers	21,674	97,743	-	-	119,417
Inter-segment sales	226	13,342	-	(13,568)	-
Total revenue	**21,900**	**111,085**	**-**	**(13,568)**	**119,417**
Results					
Interest income	366	302	-	(259)	409
Dividend income	6,000	-	-	(6,000)	-
Depreciation	(7,580)	(2,348)	-	(481)	(10,409)
Reversal of impairment on inventories	-	20	-	-	20
Financial expenses	(224)	(298)	-	259	(263)
Other non-cash expenses	-	1,061	-	(1,400)	(339)
Segment profit	9,296	11,846	-	(5,778)	15,364
Assets and liabilities					
Additions to non-current assets	30,975	8,771	-	(230)	39,516
Goodwill	-	78	-	-	78
Segment assets	112,690	145,892	367	(21,698)	237,251
Segment liabilities	13,629	58,466	-	(9,479)	62,616

SEGMENTED RESULTS 31 DECEMBER 2019

	Chartering	Shipbuilding and ship repairs and maintenance	Discontinued Operation	Adjustments & Eliminations	Group
	$'000	$'000	$'000	$'000	$'000
Revenue					
Sales to external customers	27,920	108,417	-	-	136,337
Inter-segment sales	326	26,700	-	(27,026)	-
Total revenue	28,246	135,117	-	(27,026)	136,337
Results					
Interest income	424	781	-	(224)	981
Dividend income	6,000	-		(6,000)	-
Depreciation	(8,007)	(1,649)	-	(390)	(10,046)
Impairment of property, plant & equipment and inventory	-	(530)	-	-	(530)
Financial expenses	(311)	(41)	-	224	(128)
Other non-cash expenses	(141)	(1,830)	-	1,839	(132)
Segment profit / (loss)	13,942	13,240	-	(7,221)	19,961
Assets and liabilities					
Additions to non-current assets	28,746	4,190	-	(10,647)	22,289
Goodwill	-	78	-	-	78
Segment assets	127,935	118,375	367	(16,205)	230,472
Segment liabilities	16,618	50,816	-	(4,656)	62,778

GEOGRAPHICAL SEGMENTS

	Revenue					
	Chartering		Shipbuilding and ship repairs and maintenance		Total	
	2020	2019	2020	2019	2020	2019
	$'000	$'000	$'000	$'000	$'000	$'000
Singapore	3,723	4,395	2,502	17,918	6,225	22,313
Rest of South East Asia	17,855	23,525	42	75	17,897	23,600
Africa	96	-	62,142	76,914	62,238	76,914
Taiwan	-	-	15,543	782	15,543	782
Europe	-	-	5,805	-	5,805	-
Others	-	-	11,709	12,728	11,709	12,728
	21,674	**27,920**	**97,743**	**108,417**	**119,417**	**136,337**

ALC Consulting

Our Ref: 11461V/21/ALC *05 February 2021*

DESKTOP VALUATION CERTIFICATES
FOR
34 VESSELS BELONGING TO
PENGUIN INTERNATIONAL LIMITED

THIS IS TO REPORT that at the request of Penguin International Limited, Singapore, we the undersigned Marine Surveyors & Appraisers,

ALC CONSULTING SERVICES PTE. LTD

did on 05 February 2021 examine documents / specifications pertaining to the fleet of 34 vessels for the purpose of carrying out a desktop valuation appraisal.

This valuation report has been prepared in connection with the General Offer by Emet Grace Limited for the shares of Penguin International Limited, Singapore.

SUMMARY VALUATION FOR EACH CATEGORY OF VESSEL

S/N	TYPE OF VESSEL	TOTAL VALUATION
1	ALUMINIUM FERRY/ LAUNCH / LINE / WORK / MOORING BOATS	**$12,065,000**
2	TUGS / BARGES	**$3,210,000**
3	ALUMINIUM CREW BOATS	**$67,000,000**
4	LANDING CRAFTS	**$5,500,000**
TOTAL VALUATION FOR 34 VESSELS		**$87,775,000**

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33 Ubi Ave 3 #06-07 Vertex Singapore 408868 | Tel: +65 6515 4116 | www.alcconsult.com

ALC Consulting

Our Ref: 11461V/21/ALC ***Page 2***

SUMMARY OF VALUATION

Based on our valuation exercise of the 34 vessels appraised, we are of the considered opinion that the total fair appraisal value of Penguin International Limited's fleet of vessels, as described in this report as of **05 February 2021** is in the region of

SGD$ 87,775,000.00

(SPORE DOLLARS EIGHTY SEVEN MILLION SEVEN HUNDRED AND SEVENTY FIVE THOUSAND ONLY)

CONCLUSION

From the documents supplied, we would consider the vessel to be constructed apparently in accordance with satisfactory marine practice, structurally sound and suitably equipped for their intended purposes.

DESKTOP VALUATION APPROACH

Without physical sighting of the vessels, we have considered the following factors in determining the estimated current fair value of the vessels:

1. The type, size, equipment and machinery provided on board and other specifications of the vessel.
2. The age of the vessel and her future economic life expectancy.
3. The assumed satisfactory condition of the vessel's hull, machinery and equipment.
4. The supply and demand for vessels of this type and size in the sales and purchase market.
5. Our main valuation approach is replacement cost methodology. We consider the newbuilt construction price of a similar vessel and adjust for its corresponding age.

LIMITING AND SERVICE CONDITIONS

This valuation is based on all the available materials and information made known to valuer. We assume all materials and information provided by the client to be accurate, updated and reliable. The valuer takes no responsibility for any inaccurate material and information provided and subsequent conclusions arrived at from such inputs. The above valuation is also provided on the understanding that different sets of perspective values for the same assets may exist.

While reasonable care and best efforts have been taken to ensure accuracy of the values provided, ALC Consulting Services Pte Ltd does not guarantee that the stated valuation figure could be achieved in future transactions.

This valuation report is solely for the information of the party instructing us and their independent financial adviser and whosoever intends to act upon this valuation should first satisfy himself by inspection of the asset in this report or otherwise, in order to determine the correctness of the particulars stated.

SUNU LAZAR
APPRAISER

FOR & ON BEHALF OF
ALC CONSULTING SERVICES PTE LTD

ROBERT KHAN

INTERNATIONAL BUSINESS ASSETS CONSULTANTS

✓ Chartered Surveyors
✓ Valuers of:
· Plants & Machinery
· Real Estate
· Businesses
· Fine Arts & Antiques
✓ Auctioneers & Agents
✓ Facilities & Project Managers
✓ Capital Allowance Claims Consultants

INDEPENDENT VALUATION SUMMARY LETTER

PV/6802/PIL/2102/RK/EM/WN/KS/KK

10 February 2021

The Board of Directors
Penguin International Limited
18 Tuas Basin Link
Singapore 638784

Dear Sirs

PROPERTY VALUATION OF NO. 21 TUAS ROAD SINGAPORE 638489

1. This Summary Letter has been prepared for inclusion in the circular to shareholders of Penguin International Limited in relation to the general offer by Emet Grace Ltd. to acquire all the issued and paid-up ordinary shares in the capital of Penguin International Limited at an Offer Price of S$0.65 in cash for each Offer Share. Accordingly, this Summary Letter should be read in conjunction with the accompanying Valuation Certificate and Valuation Report dated 10 February 2021.

2. We are appointed by Penguin International Limited to carry out a valuation of **No. 21 Tuas Road Singapore 638489** so as to advise you on its **Market Value with vacant possession as at 1 February 2021** on the following bases:

   (a) "As is" based on the existing development as at the date of valuation and a lease term of 20 years commencing from 16 April 2020

   (b) Subject to satisfactory completion of the proposed development and issuance of Temporary Occupation Permit (TOP) and Certificate of Statutory Completion (CSC), and based on a lease term of 20 years commencing from 16 April 2020

Robert Khan & Co Pte Ltd (Co. Reg. No.: 199305890G)
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ROBERT KHAN

INTERNATIONAL BUSINESS ASSETS CONSULTANTS

INDEPENDENT VALUATION SUMMARY LETTER (CONT'D)

3. The basis of valuation to be adopted in this valuation report shall be **'Market Value'**. In arriving at the **Market Value as at 1 February 2021**, we have considered both methods of valuation, namely: **Income Method** and **Cost Method**.

4. **Market Value**, as defined in [2.1(a)] of REV 2.2 Market Value Basis of Valuation, The Singapore Institute of Surveyors and Valuers (SISV) Valuation Standards and Practice Guidelines 2015 Edition, is the estimated amount for which a property should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.

5. The **Income Method** of valuation is a method of estimating the present worth of the rights to future benefits to be derived from the ownership of a specific interest in a property under given market conditions. In property valuation, these rights are often expressed as future income in the form of the prevailing and sustainable rent. One of the methods which falls under the Income Approach is the Income Capitalisation Method. The Income Capitalisation Method is where the estimated leased net income is capitalised to perpetuity or over the remaining term of the lease from the date of valuation, where applicable, at an appropriate capitalization rate.

6. The **Cost Method** of valuation is based on the rationale that the value of the property comprises two components: the value of improvements and the value of land. It is appropriate in the valuation of properties with few or no market transactions, such as schools and shipyards. The method involves the estimation of the value of the site as if it were vacant, using the comparison method. The amount of depreciation and obsolescence is then estimated and deducted from the cost of improvements to arrive at the depreciated replacement or reproduction cost. This is then added to the land value to derive the capital value of the property.

ROBERT KHAN
INTERNATIONAL BUSINESS ASSETS CONSULTANTS

INDEPENDENT VALUATION SUMMARY LETTER (CONT'D)

7. In summary and as detailed in the Valuation Certificate and Valuation Report, we are of the opinion that the Market Value(s) with Vacant Possession of **No. 21 Tuas Road Singapore 638489** as at **1 February 2021** are as follows: -

   (a) **"As is" based on the existing development as at the date of valuation and a lease term of 20 years commencing from 16 April 2020**

   S$7,800,000 (Singapore Dollars Seven Million and Eight Hundred Thousand Only)

   (b) **Subject to satisfactory completion of the proposed development and issuance of Temporary Occupation Permit (TOP) and Certificate of Statutory Completion (CSC), and based on a lease term of 20 years commencing from 16 April 2020**

   S$19,000,000 (Singapore Dollars Nineteen Million Only)

Yours faithfully
On behalf of **ROBERT KHAN & CO PTE LTD**

William Ng Hock Heng

MRICS MSISV
(Appraiser Licence No: AD041-2006500F)

ROBERT KHAN

INTERNATIONAL BUSINESS ASSETS CONSULTANTS

PV/6802/PIL/2102/RK/EM/WN/KS/KK
10 February 2021

VALUATION CERTIFICATE

Date of Valuation: 1 February 2021

Date of Inspection: 1 February 2021

Address: No. 21 Tuas Road Singapore 638489

Brief: We are appointed by Penguin International Limited to carry out a valuation of the above property so as to advise you on its Market Value with vacant possession as at 1 February 2021 on the following bases:

(a) "As is" based on the existing development as at the date of valuation and a lease term of 20 years commencing from 16 April 2020

(b) Subject to satisfactory completion of the proposed development and issuance of Temporary Occupation Permit (TOP) and Certificate of Statutory Completion (CSC), and based on a lease term of 20 years commencing from 16 April 2020

Purpose of Valuation: In connection with the general offer by Emet Grace Ltd for the shares of Penguin International Limited

Existing Development: A 2-storey office building, electrical substation, guard house, slipway, reinforced concrete pier, hardstanding open yard and vehicle parking lots

ROBERT KHAN
INTERNATIONAL BUSINESS ASSETS CONSULTANTS

PV/6802/PIL/2102/RK/EM/WN/KS/KK
10 February 2021

VALUATION CERTIFICATE (CONT'D)

Proposed Development: Erection of three workshops, conversion of the existing slipway into deep water basin with finger pier and a slipway, relocation of a workshop from 20 Tuas Basin Link to the subject property and the retention of the existing 2-storey office building, electrical substation, guard house, reinforced concrete pier and other land improvements

We are given to understand that the lump sum price of the proposed development works is S$10,480,000. Of which, approximately S$440,000 worth of works had been completed by the date of valuation. As of 1 February 2021, a balance cost of approximately S$10,040,000 would be required to complete the remaining development works by end of 2021.

Legal Description: Lot No. 932V, Mukim 7

JTC Private Lots: A3003291 & A3003292

Existing Gross Floor Area: 1,026.66 square metres (11,051 square feet approximately) based on the information provided by client and is subject to final survey

Proposed Gross Floor Area: 8,371.66 square metres (90,113 square feet approximately) based on the information provided by client and is subject to final survey

ROBERT KHAN

INTERNATIONAL BUSINESS ASSETS CONSULTANTS

PV/6802/PIL/2102/RK/EM/WN/KS/KK
10 February 2021

VALUATION CERTIFICATE (CONT'D)

Methods of Valuation: (a) Income Method

The Income Method of valuation is a method of estimating the present worth of the rights to future benefits to be derived from the ownership of a specific interest in a property under given market conditions. In property valuation, these rights are often expressed as future income in the form of the prevailing and sustainable rent. One of the methods which falls under the Income Approach is the Income Capitalisation Method. The Income Capitalisation Method is where the estimated leased net income is capitalised to perpetuity or over the remaining term of the lease from the date of valuation, where applicable, at an appropriate capitalization rate.

(b) Cost Method

The Cost Method of valuation is based on the rationale that the value of the property comprises two components: the value of improvements and the value of land. It is appropriate in the valuation of properties with few or no market transactions, such as schools and shipyards. The method involves the estimation of the value of the site as if it were vacant, using the comparison method. The amount of depreciation and obsolescence is then estimated and deducted from the cost of improvements to arrive at the depreciated replacement or reproduction cost. This is then added to the land value to derive the capital value of the property.

ROBERT KHAN
INTERNATIONAL BUSINESS ASSETS CONSULTANTS

PV/6802/PIL/2102/RK/EM/WN/KS/KK
10 February 2021

VALUATION CERTIFICATE (CONT'D)

Opinion of Value(s): **Market Value[1] with Vacant Possession as at 1 February 2021**

(a) "As is" based on the existing development as at the date of valuation and a lease term of 20 years commencing from 16 April 2020

S$7,800,000 (Singapore Dollars Seven Million and Eight Hundred Thousand Only)

(b) Subject to satisfactory completion of the proposed development and issuance of Temporary Occupation Permit (TOP) and Certificate of Statutory Completion (CSC), and based on a lease term of 20 years commencing from 16 April 2020

S$19,000,000 (Singapore Dollars Nineteen Million Only)

Yours faithfully
On behalf of **ROBERT KHAN & CO PTE LTD**

William Ng Hock Heng
MRICS MSISV

(Appraiser Licence No: AD041-2006500F)

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[1] *Note: Our valuation is reported on the basis of current market condition as at the Date of Valuation (DOV). In view of the recent outbreak of Novel Coronavirus (Covid-19), our valuation is applicable as at the DOV only. We wish to advise our clients to exercise a higher degree of caution towards the reported valuation figure. Keeping in view the unforeseen circumstances of the real estate market hereafter, we do not accept liability for losses arising from such subsequent change(s) in its Market Value. Therefore, we highly recommend to keep the valuation of the abovementioned property under frequent review.*

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Muttaqin Bambang Purwanto Rozak Uswatun dan Rekan

EXECUTIVE SUMMARY

1	Identification of Valuer Status	:	Partners at KJPP MBPRU Domiciled In Batam City
2	Name of Taskmaster	:	Penguin International Limited
3	Report User	:	Penguin International Limited
4	Valuation Object	:	Shipyard
5	Location	:	Kawasan Industri Sekupang Kelurahan Tanjung Riau, Kecamatan Sekupang Kota Batam, Provinsi Kepulauan Riau, Post Code 29425
6	Land Area Total	:	43.991,00 m^2
7	Building Area	:	17.641,00 m^2
8	Complementary Facilities Area Total	:	23.422,30 m^2
9	The Forms of Asset Ownership	:	Partial (SHGB No.287 and PL No. 29010462, 21021022, & 27010399)
10	The Currency Used Is	:	Rupiah (Rp)
11	Purpose and Objectives of Valuation	:	Document & physical verification in the field to obtain market value opinion. The purpose of the valuation for the Sale and Purchase in the context of a general offer by Emet Grace Ltd for shares at Penguin International Limited.
12	Basis of Value	:	Market Value
13	Inspection Date	:	February 1st, 2021
14	Valuation Date	:	February 1st, 2021
15	Depth of Investigation	:	Information and documents on asset ownership are received from the taskmaster, without verification with the original documents. We conduct field inspections of physical assets to a visual extent shown by a companion who represents the taskmaster.
16	Characteristics and Resources of Reliable Information	:	Offers from the Field & the Internet
17	General Assumptions	:	1 The report must be used as a whole and inseparable and its use is limited to the purposes and objectives of this valuation only. This report will not apply for different purposes and objective.
		:	2 We assume that the assets shown to us are objects of property under valuation and we do not conduct further checks on their accuracy.
		:	3 Assets or valuation objects are assumed to be empty and free from dispute. The valuer is exempted from all demands and obligations related to the use of the report that is inconsistent with the intent and purpose of the report.
18	Special Assumptions	:	On the date of the valuer the Covid-19 (Corona Virus) Pandemic was taking place, due to our limited capabilities, we did not take into account and did not make adjustments to this, so that it would be a concern for report users.
19	Valuation Approach And Valuation Method	:	Cost Approach **(KEPI & SPI Edisi VII – 2018, KPUP - 17)** with the Replacement Cost Method
20	Definition Market Value	:	Market Value is defined as the estimated amount of money that can be obtained or paid for the exchange of an asset or liability at the valuation date, between an interested buyer and a seller who is interested in selling, in a bond-free transaction, which is marketed fairly, in which both parties - each act on the basis of his understanding, prudently and without coercion. **(KEPI & SPI, VII EDITION - 2018, SPI 101 - 3.1)**
21	Publication Requirements	:	Whoever has no right to publish part / all of this report, without written permission from KJPP MBPRU and Partners.
22	Valuation Guidelines	:	KEPI & SPI EDISI VII-2018
23	Report Format	:	Detailed Report
24	Conclusion Market Value	:	Rp129.724.800.000,00 (One Hundred Twenty Nine Billion Seven Hundred Twenty Four Million Eigh Hundred Thousands Rupiah)

Our Sincerely,
Kantor Jasa Penilai Publik
mbpru Public Valuers and Advisors

Ahsin Silahudin, ST, MAPPI (Cert)
Branch Office Manager / Partners

Valuer License	:	P-1.19.00543
MAPPI Registration Number	:	11-S-02965
Valuer Register Number	:	RMK-2017.00453
Classification of Service	:	Property Valuer (P)

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Muttaqin Bambang Purwanto
Rozak Uswatun dan Rekan

EXECUTIVE SUMMARY

1	Identification of Valuer Status	:	Partners at KJPP MBPRU Domiciled In Batam City
2	Name of Taskmaster	:	Penguin International Limited
3	Report User	:	Penguin International Limited
4	Valuation Object	:	Land
5	Location	:	Pulau Seloko-Tanjung Uncang Kelurahan Tanjung Riau, Kecamatan Sekupang Kota Batam, Provinsi Kepulauan Riau, Post Code 29425
6	Land Area	:	70.551,46 m²
7	Bulding Area	:	-
8	The Forms of Asset Ownership	:	Partial (PL No. 215020318)
9	The Currency Used Is	:	Rupiah (Rp)
10	Purpose and Objectives of Valuation	:	Document & physical verification in the field to obtain market value opinion. The purpose of the valuation for the Sale and Purchase in the context of a general offer by Emet Grace Ltd for shares at Penguin International Limited.
11	Basis of Value	:	Market Value
12	Inspection Date	:	February 1st, 2021
13	Valuation Date	:	February 1st, 2021
14	Depth of Investigation	:	Information and documents on asset ownership are received from the taskmaster, without verification with the original documents. We conduct field inspections of physical assets to a visual extent shown by a companion who represents the taskmaster.
15	Characteristics and Resources of Reliable Information	:	Offers from the Field & the Internet
16	General Assumptions	:	1 The report must be used as a whole and inseparable and its use is limited to the purposes and objectives of this valuation only. This report will not apply for different purposes and objective. 2 We assume that the assets shown to us are objects of property under valuation and we do not conduct further checks on their accuracy. 3 Assets or valuation objects are assumed to be empty and free from dispute. The valuer is exempted from all demands and obligations related to the use of the report that is inconsistent with the intent and purpose of the report.
17	Special Assumptions	:	1 On the date of the valuer the Covid-19 (Corona Virus) Pandemic was taking place, due to our limited capabilities, we did not take into account and did not make adjustments to this, so that it would be a concern for report users. 2 The asset boundary / divider in the middle is not clear, we assume the boundary shown by the field facilitator is correct.
18	Valuation Approach And Valuation Method		Market Approach **(KEPI & SPI Edisi VII – 2018, KPUP - 15)**, with the Market Data Comparison Method
19	Definition Market Value		Market Value is defined as the estimated amount of money that can be obtained or paid for the exchange of an asset or liability at the valuation date, between an interested buyer and a seller who is interested in selling, in a bond-free transaction, which is marketed fairly, in which both parties - each act on the basis of his understanding, prudently and without coercion. **(KEPI & SPI, VII EDITION - 2018, SPI 101 - 3.1)**
20	Publication Requirements	:	Whoever has no right to publish part / all of this report, without written permission from KJPP MBPRU and Partners.
21	Valuation Guidelines	:	KEPI & SPI EDISI VII-2018
22	Report Format	:	Detailed Report
23	Conclusion Market Value	:	Rp18.343.400.000,00 (Eighteen Billion Three Hundred Fourty Three Million Four Hundred Thousands Rupiah)

Our Sincerely,

Kantor Jasa Penilai Publik
mbpru Public Valuers and Advisors

Ahsin Silahudin, ST, MAPPI (Cert)
Branch Office Manager / Partners

Valuer License	:	P-1.19.00543
MAPPI Registration Number	:	11-S-02965
Valuer Register Number	:	RMK-2017.00453
Classification of Service	:	Property Valuer (P)