PENGUIN INTERNATIONAL LIMITED

ANNUAL REPORT 2014

PENGUIN

COMING TOGETHER

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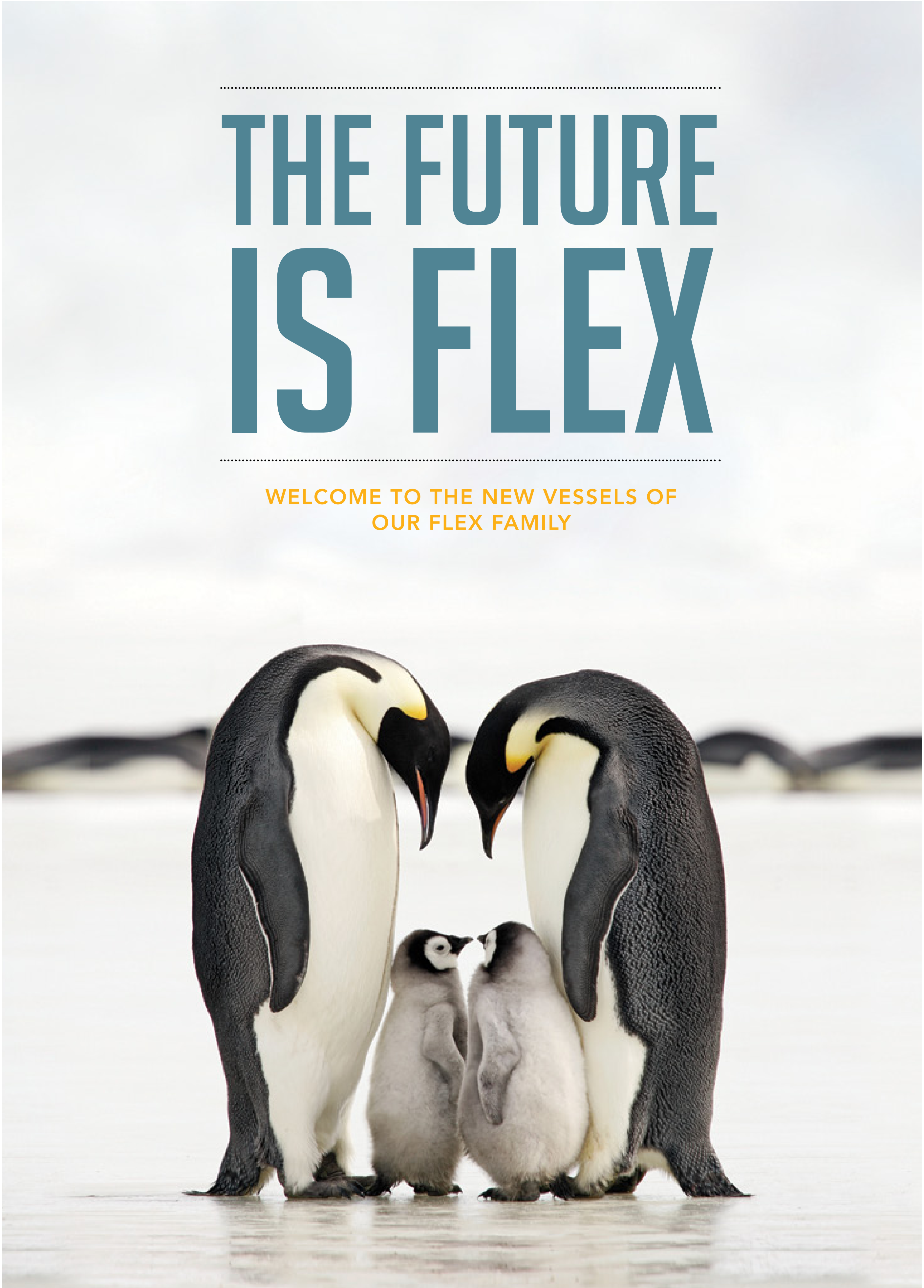
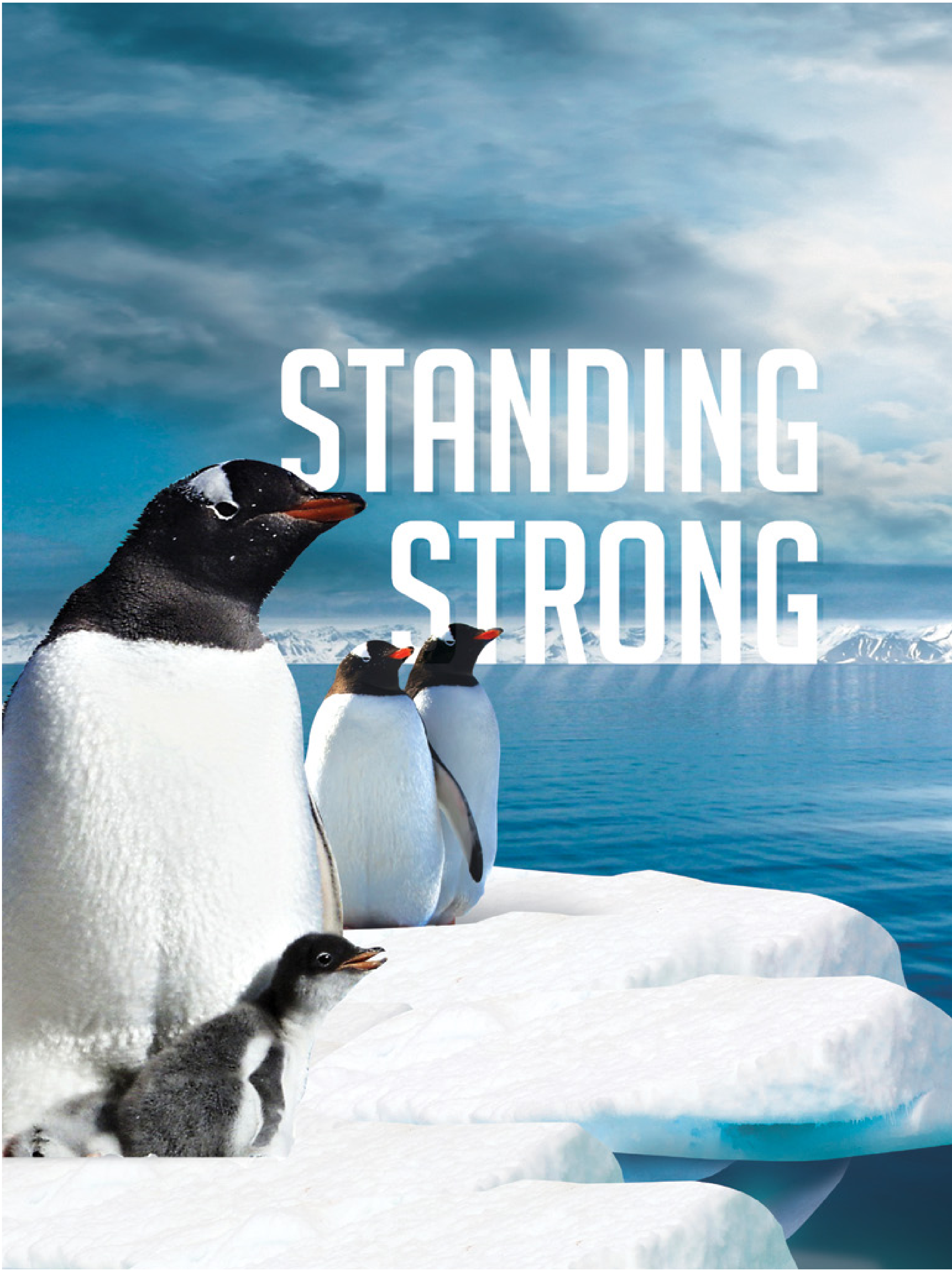
THE FUTURE IS FLEX

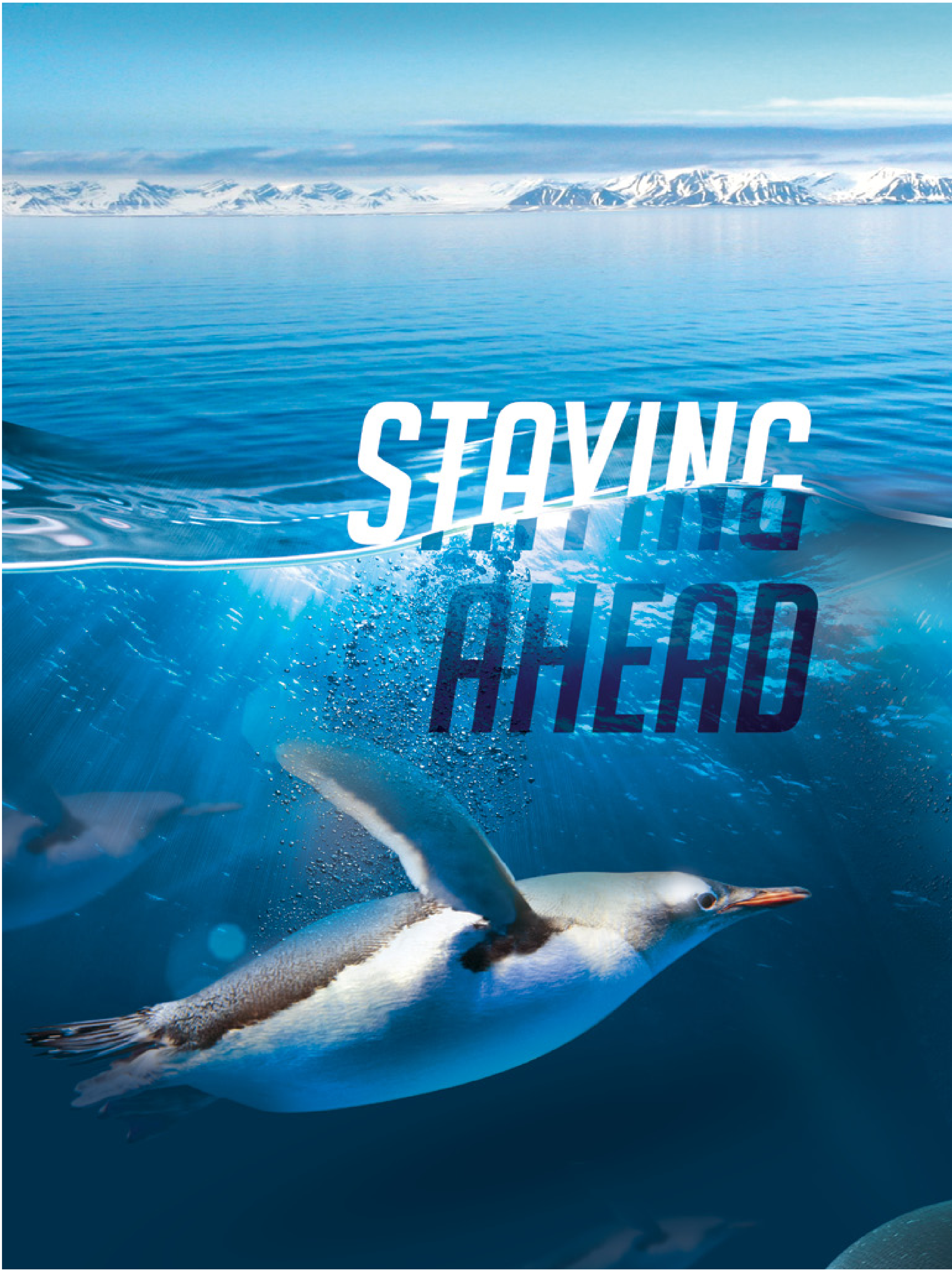
WELCOME TO THE NEW VESSELS OF OUR FLEX FAMILY




STANDING
STRONG

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

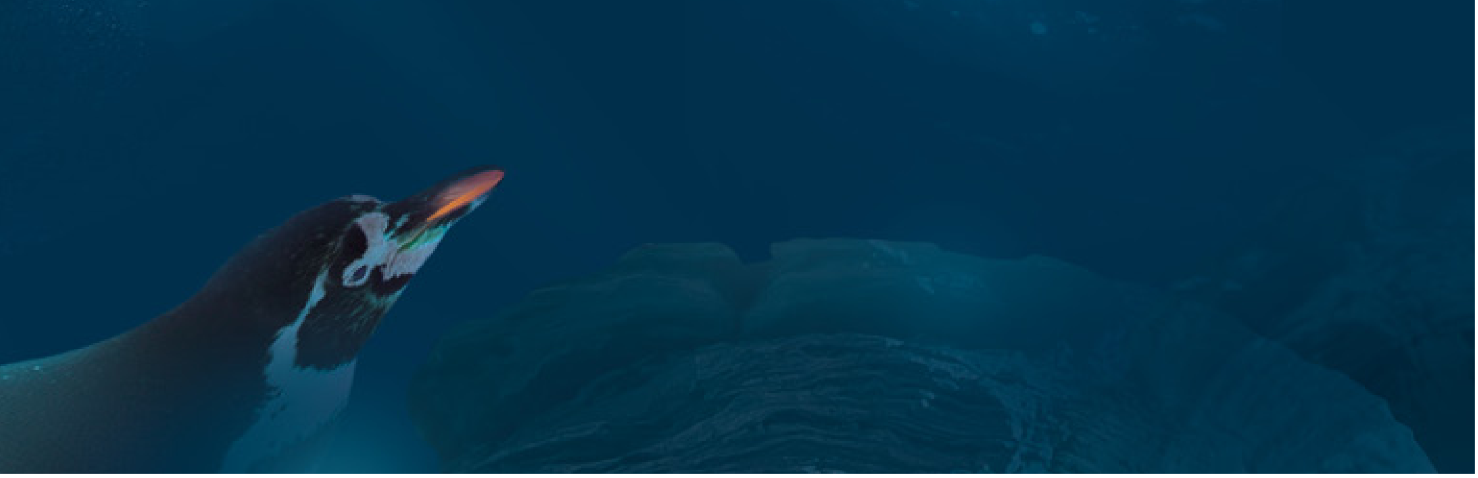
The penguin's quiet stoicism in the face of adversity is a story that continues to inspire us today. In recent years, the management and staff of Penguin International Limited have come face to face with numerous challenges that rival the cold winds bearing down on the Antarctic Penguins. Like the penguins,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


STAYING
AHEAD

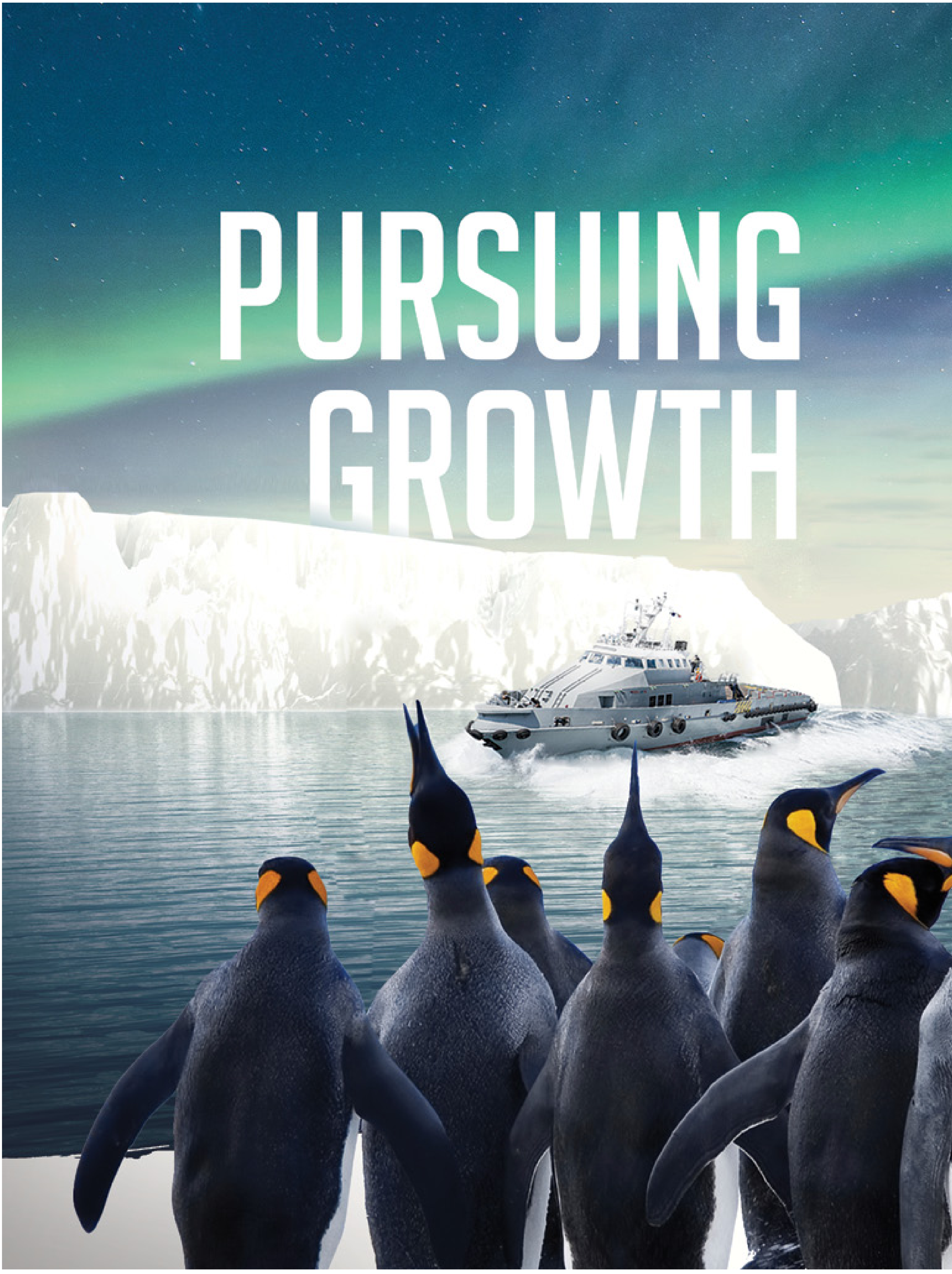
In the water, penguins are able to dive deeper and adapt to crushing water pressures much better than any other aquatic bird. This innate skill has enabled penguins to exploit food sources well beyond the capabilities of their competitors.

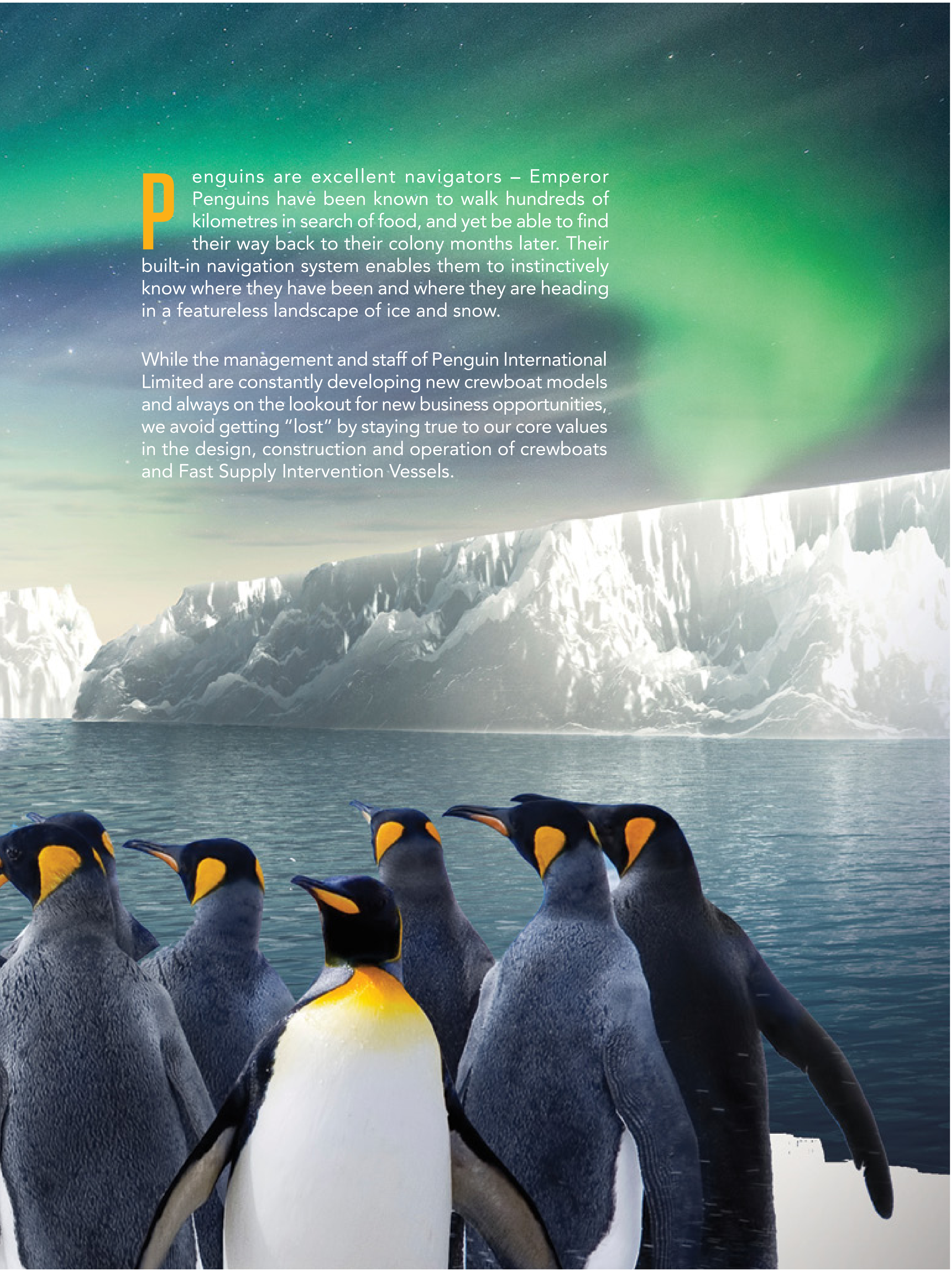
Similarly, Penguin International Limited's integrated capabilities as a designer-builder-owner-operator of crewboats and Fast Supply Intervention Vessels have enabled us to capture new opportunities in the fiercely competitive offshore industry.

Leveraging on our integrated capabilities in the design, construction and operation of crewboats and Fast Supply Intervention Vessels, we are able to maintain steady and sustainable growth for our shareholders.



PURSUING GROWTH





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

While the management and staff of Penguin International Limited are constantly developing new crewboat models and always on the lookout for new business opportunities, we avoid getting "lost" by staying true to our core values in the design, construction and operation of crewboats and Fast Supply Intervention Vessels.

WELCOME TO THE HOME OF THE FLEX

OUR PROPRIETARY FLEX CREWBOAT DESIGNS ARE JOINTLY DEVELOPED BY OUR INTEGRATED SHIPBUILDING AND SHIP MANAGEMENT TEAMS IN SINGAPORE, BACKED BY TWO DECADES OF EXPERIENCE AS BUILDERS, OWNERS AND OPERATORS.

Today, there are close to 100 Flexes operating around the world, from Asia to Africa. Whether you are fending off pirates in the Gulf of Aden or rushing drilling crew to a rig in the Gulf of Thailand, you can count on your Flex to get the job done right.

No wonder Flexes are fast becoming the crewboats of choice in the global offshore and maritime security industries.

From the "Pocket Rocket" Flex-25 to the DP1 FSIV Flex-50, we have a Flex that will meet your needs.

In our Evergreen Production Programme, our main model types are the Baudouin-powered Flex-40 and the Cummins-powered Flex-40SL. Successor to the best-selling Flex-38 Series, the Flex-40 Series features expanded fuel and passenger capacities, improved seating, re-engineered propulsion and – for the first time ever – a Palfinger knuckle-boom deck crane as standard equipment.

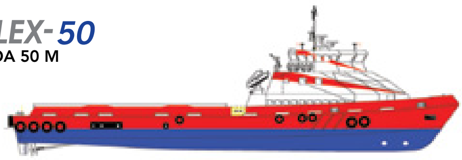
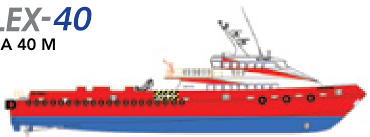
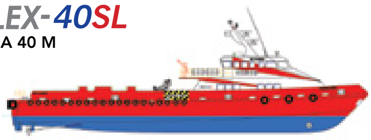
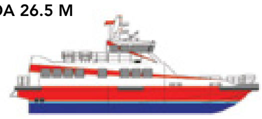
For owners with specific missions in mind, we welcome you to specify options to customise your Flex, including HPPE ballistic protection panels, gun mounts and racks, extra cabins, a dedicated hospital room, active interceptors, business class seats etc.

In addition to Flex crewboats, we also have the Flex Ferry, the newest member of our Flex Family, launched in 2014. Known as "the new cool in ferries", the Flex Ferry is one of only a few "2000 HSC Code" large monohull passenger ferries in the world.

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

Go ahead. FLEX YOUR FLEET!

OUR RANGE OF CREWBOATS & FAST SUPPLY INTERVENTION VESSELS

	ENGINE (BHP)	PAX (seats)	CARGO DECK (sqm)	FUEL (KL)
FLEX-50 LOA 50 M 	9864	≤ 75*	200	171
FLEX-45 LOA 45 M 	4800	≤ 70	135	135
FLEX-40 LOA 40 M 	3600	≤ 90	100	86
FLEX-40SL LOA 40 M 	4050	≤ 78	110	93
FLEX-40SLC LOA 40 M 	4350	≤ 78	110	93
FLEX-25 LOA 26.5 M 	3600	≤ 70	33	16

* Business Class Seating

OUR RANGE OF CREWBOATS & FAST SUPPLY INTERVENTION VESSELS

FLEX-50

PRINCIPAL PARTICULARS

Length Overall	50.00 M	Main Engines	4 x MTU 16 V4000 M53
Breadth Moulded	9.10 M		9864 BHP@ 1800 RPM
Depth Moulded	4.00 M		Electronically Controlled
Design Draft	2.55 M	Bow Thruster	2 units electro-hydraulic
Clear Deck Area	200 SQM		@ 200 HP
Fuel Oil Capacity	171,000 L	Maximum Speed	25 knots
Fresh Water Capacity	52,000 L		@ 100% MCR & 150 MT DWT
Complement	12 Crew Members	Economical Speed	23 knots
	75 Passengers		@ 85% MCR & 150 MT DWT
	VIP Rooms		
Knuckle-Boom Crane	1.8 Ton @ 6 M Outreach		

FLEX-45

PRINCIPAL PARTICULARS

Length Overall	45.00 M	Main Engines	4 x Baudouin Engine 12M26.2
Breadth Moulded	8.80 M		4800 BHP @ 1950 RPM
Depth Moulded	3.65 M		Mechanically Controlled
Design Draft	1.89 M	Bow Thrusters	1 unit electro-hydraulic
Clear Deck Area	135 SQM		@ 150 HP
Fuel Oil Capacity	135,000 L	Maximum Speed	27 knots
Fresh Water Capacity	35,000 L		@ 100% MCR & 50.0 MT DWT
Complement	10 Crew Members	Economical Speed	25 knots
	70 Passengers		@ 85% MCR & 50.0 MT DWT
	VIP Rooms		
Knuckle-Boom Crane	0.5 Ton @ 6 M Outreach		

PRINCIPAL PARTICULARS

Length Overall	40.00 M	Main Engines	3 x Baudouin Engine 12M26.2
Breadth Moulded	7.60 M		3600 BHP @ 1950 RPM
Depth Moulded	3.65 M		Mechanically Controlled
Design Draft	1.89 M	Bow Thruster	1 unit electro-hydraulic
Clear Deck Area	100 SQM		@ 100 HP
Fuel Oil Capacity	86,000 L	Maximum Speed	25 knots
Fresh Water Capacity	30,000 L		@ 100% MCR & 35.0 MT DWT
Complement	8 Crew Members	Economical Speed	23 knots
	90 Passengers		@ 85% MCR & 35.0 MT DWT
Knuckle-Boom Crane	0.5 Ton @ 6 M Outreach		

PRINCIPAL PARTICULARS

Length Overall	40.00 M	Main Engines	3 x Cummins Engine KTA38-M2
Breadth Moulded	7.60 M		4050 BHP @ 1900 RPM
Depth Moulded	3.65 M		Mechanically Controlled
Design Draft	1.89 M	Bow Thruster	1 unit electro-hydraulic
Clear Deck Area	110 SQM		@ 100 HP
Fuel Oil Capacity	93,000 L	Maximum Speed	27 knots
Fresh Water Capacity	30,000 L		@ 100% MCR & 35.0 MT DWT
Complement	8 Crew Members	Economical Speed	25 knots
	78 Passengers		@ 85% MCR & 35.0 MT DWT
Knuckle-Boom Crane	0.5 Ton @ 6 M Outreach		

OUR FLEX FAMILY / CONT'D

FLEX-40SLC

PRINCIPAL PARTICULARS

Length Overall	40.00 M
Breadth Moulded	7.60 M
Depth Moulded	3.65 M
Design Draft	1.89 M
Clear Deck Area	110 SQM
Fuel Oil Capacity	93,000 L
Fresh Water Capacity	30,000 L
Complement	8 Crew Members 78 Passengers
Knuckle-Boom Crane	0.5 Ton @ 6 M Outreach

Main Engines	3 x Caterpillar Engine C32 ACERT 4350 BHP @ 2300 RPM Mechanically Controlled
Bow Thrusters	1 unit electro-hydraulic @ 100 HP
Maximum Speed	27 knots @ 100% MCR & 35.0 MT DWT
Economical Speed	25 knots @ 85% MCR & 35.0 MT DWT

FLEX FIGHTER

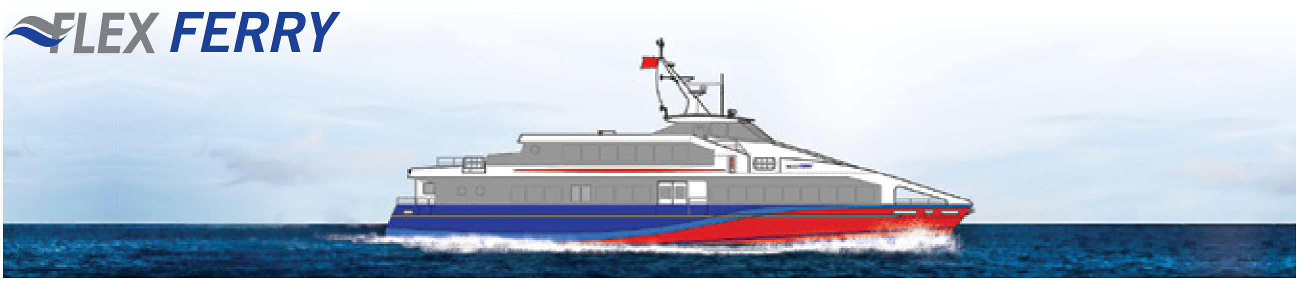
PRINCIPAL PARTICULARS

Length Overall	40.00 M
Breadth Moulded	7.60 M
Depth Moulded	3.65 M
Design Draft	1.89 M
Clear Deck Area	110 SQM
Fuel Oil Capacity	93,000 L
Fresh Water Capacity	30,000 L
Complement	8 Crew Members 12 Security Personnel 34 Passengers
Knuckle-Boom Crane	0.5 Ton @ 6 M Outreach

Main Engines	3 x Caterpillar engine C32 ACERT 4350 BHP @ 1900 RPM Mechanically Controlled
Bow Thruster	1 unit electro-hydraulic @ 100 HP
Maximum Speed	27 knots @ 100% MCR & 35.0 MT DWT
Economical Speed	25 knots @ 85% MCR & 35.0 MT DWT

PRINCIPAL PARTICULARS

Length Overall	26.50 M	Main Engines	4 x MAN D2842 LE 405 Tier 2
Breadth Moulded	6.80 M		3600 BHP @ 2100 RPM
Depth Moulded	3.35 M		Electronically Controlled
Design Draft	1.15 M	Maximum Speed	30 knots
Clear Deck Area	33 SQM		@ 100% MCR & 18.70 MT DWT
Fuel Oil Capacity	16,000 L	Economical Speed	24 knots
Fresh Water Capacity	1,000 L		@ 85% MCR & 18.70 MT DWT
Complemetnt	4 Crew Members		
	70 Passengers		



PRINCIPAL PARTICULARS

Length Overall	38.50 M	Main Engines	3 x Caterpillar Engine C32 ACERT
Breadth Moulded	8.70 M		3900 BHP @ 2100 RPM
Depth Moulded	3.50 M		Electronically Controlled
Design Draft	1.50 M	Maximum Speed	27 knots
Passenger Capacity	208 pax on main deck		@ 100% MCR & 21.2 MT DWT
	30 pax on upper deck	Economical Speed	26 knots
Fuel Oil Capacity	8,000 L		@ 90% MCR & 21.2 MT DWT
Fresh Water Capacity	1,500 L		

PENGUIN INTERNATIONAL LIMITED

PENGUIN INTERNATIONAL LIMITED IS A SINGAPORE-BASED, PUBLICLY LISTED MARINE AND OFFSHORE SERVICES GROUP, SPECIALISING IN THE DESIGN, CONSTRUCTION, REPAIR AND OPERATION OF HIGH-SPEED ALUMINIUM COMMERCIAL VESSELS.

Through a group of integrated subsidiaries, Penguin owns and operates crewboats, Fast Supply Intervention Vessels (FSIV) and passenger ferries, as well as shipyards in Singapore and Batam, Indonesia.

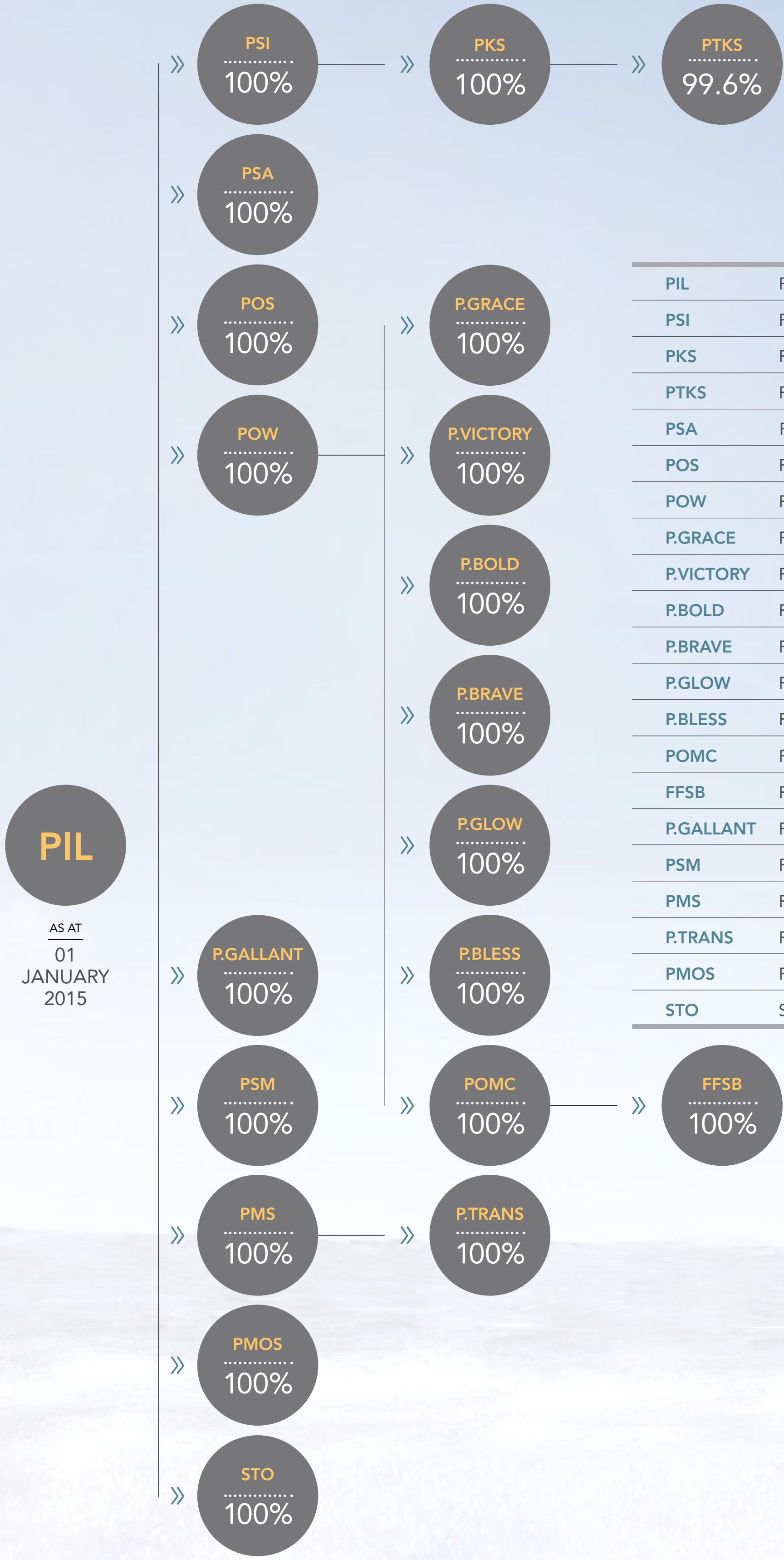
Our proprietary *Flex* crewboat designs are jointly developed by our integrated shipbuilding and ship management teams, drawing on two decades of experience as builders, owners and operators.

Today, our *Flexes* have become the industry standard for mid-sized, multi-role crewboats in the offshore petroleum and maritime security markets. And we have become the world's fastest and most prolific crewboat builder.

Penguin is led by an experienced management team and our business is backed by a strong balance sheet.

As a public company, Penguin seeks to be an employer of choice and a good corporate citizen. We are committed to maintaining a high standard of public accountability, corporate governance and social responsibility.

CORPORATE STRUCTURE



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

A JOINT LETTER FROM OUR CHAIRMAN AND OUR MANAGING DIRECTOR

DEAR SHAREHOLDERS,

WE BELIEVE THAT THE KEY TO SUSTAINING OUR SUCCESS IS TO IMPROVE AND INNOVATE RELENTLESSLY, FORGE STRONG MUTUALLY BENEFICIAL PARTNERSHIPS AND NEVER TAKE ANYTHING FOR GRANTED.

COMING TOGETHER

FY2014 was a Year of Convergence for the Penguin Group.

It was a *Coming Together* of Penguin's "Flex Your Fleet" strategy of building standardised high-quality crewboats in a rapid production line for sale and charter, while developing new designs and growing our own fleet of Flex crewboats.

The result: Record revenue of $164.8 million and record net profit of $30.2 million, driven by the debut of our upgraded Flex-40 Series of crewboats and the introduction of our new Flex Ferry.

It was a *Coming Together* of Penguin's infrastructure investment strategy in which we maximised the existing production capacities of our two shipyards in Singapore and Batam at a relatively modest outlay.

The result: Record delivery of more than 20 Flex crewboats and ferries in 2014, an increase of more than 50% from the previous year, with a combined newbuilding capacity of 50 vessels a year from 1Q2015.

It was a *Coming Together* of Penguin's "Our People, Our Assets" strategy in which our employees are incentivised to maximise their talents for a common vision.

The result: We are now living the vision as the world's premier crewboat builder.

We believe that the key to sustaining our success is to improve and innovate relentlessly, forge strong mutually beneficial partnerships and never take anything for granted.

IMPROVING AND INNOVATING

Right now, we are in the midst of developing a handful of new vessel concepts and designs, with the aim of widening our lead in the crewboat industry. Concepts are the aggregation of features and benefits that are rigorously debated and evaluated before they make it to the design stage. Designs are the execution of chosen concepts in the lead-up to production.

Our average cycle from conceptualisation through to first production is less than a year, and we usually start contemplating improvements to our innovation within the first three months of a new vessel's debut.

Our design philosophy is to come up with vessels that are well-optimised, versatile, reliable and reasonably priced.

While building on our internal design capabilities, we have also leveraged the relationship with our UK Design Partner, BMT Nigel Gee, a world-class designer of high-speed craft, including ferries, patrol boats and windfarm support vessels.

In the past two years, BMT Nigel Gee and Penguin have rolled out the Flex-25 crewboat and the Flex Ferry. Later this year, we will unveil one or two new crewboats that will be revolutionary in form and function.

For more information on our latest design developments, please visit www.penguin.com.sg.

On the shipbuilding front, we have also made significant strides in improvement and innovation. Quantitatively, we have increased the shipbuilding capacity of our two shipyards to 50 vessels a year by erecting a combination of permanent and temporary fabrication sheds, and by acquiring new equipment, such as crawler cranes and bending machines. Qualitatively, we have upgraded our facilities, including the completion of concreting works over the entire surface of our 50,000-square metre Batam yard. All these enhancements were carried out in the past year at relatively modest expense.

While committing considerable manpower and financial resources to improvement and innovation, we are thankful to the Singapore government for their progressive tax policies that serve to mitigate the risk and cost of research and development.

The reason why we are able to act fast on good (or bad) ideas is because we own and operate the crewboats that we design and build. Backed by a strong balance sheet and prudent management, this is a significant competitive edge in good (and bad) times.

PROJECT PARTNERSHIPS

In addition to our partnership with BMT Nigel Gee, we have also forged alliances with our key vendors and subcontractors, whom we respectfully regard as our Project Partners. With our Project Partners, we are assured of a volume-value package that optimises specifications, pricing and delivery.

All these symbiotic relationships stem from our economies of scale as the world's largest crewboat builder, which in turn ensures that all our Project Partners are motivated to work with us to maintain our industry lead in good (and bad) times.

SENSIBLE GROWTH

Come June 2015, we will mark yet another milestone in our "Flex Your Fleet" strategy when we deliver our 100th Flex crewboat – just two years from delivering our 50th and 60th Flexes, and nine years from our first.

Going forward, we will continue to manage our business conservatively. We may take on debt selectively, but we will not fund our build-for-stock programme with borrowings. Any loans that we take will likely be focused and modest, and used to finance our own fleet expansion.

QUIET CONFIDENCE

In the spirit of conservatism, we choose to maintain a quiet confidence in word and deed. That is why we choose to make announcements that are in line with regulatory requirements, with little fanfare.

On a practical level, the nature of our shipbuilding business is largely based on building for stock. Hence there is no meaningful order book to talk about. And we see no value to Penguin in revealing exactly how many vessels we are building or how many vessels have been sold because it will signal opportunities to our competitors.

For good reason, we believe in doing more than saying.

On the corporate front, two of our Independent Directors, Mr. Tay Kim Hock and Mr. Chan Moon Kong, have decided not to seek re-election during our upcoming Annual General Meeting. We would like to express our appreciation to Mr. Tay and Mr. Chan for their valuable contributions to the Board. We shall always be grateful to them for their dedication to our common cause.

In all that we say and do, we constantly remind ourselves to be thankful and to never take anything or anyone for granted. Our employees, our Board of Directors, our Clients, our Project Partners and our Shareholders, all coming together with our vision: We count you among the many blessings that have been bestowed on Penguin.

JEFFREY HING YIH PEIR
Executive Chairman

JAMES THAM TUCK CHOONG
Managing Director

CORPORATE MILESTONES

1972

Mr. Heng Kheng Seng sets up sole proprietorship to operate two wooden ferries between Singapore and its offshore islands.

1995

Penguin builds its first aluminium vessel.

1997

Penguin goes public on the Stock Exchange of Singapore.

Pelican Offshore Services is established to own and operate a fleet of crewboats and Fast Supply Intervention Vessels (FSIV).

Penguin builds first FSIV for Pelican.

2012

Penguin Shipyard delivers:

- First "Green" Crewboat, Flex-38, designed for fuel efficiency.
- First "Raw Speed" Crewboat, Flex-38S, designed for speed efficiency.
- First armour-plated crewboat designed for anti-piracy mission.

2013

Penguin Shipyard delivers:

- 50th Flex crewboat, a Flex-38SL with an expanded deck.
- First "Pocket Rocket" Flex-25 crewboat.

2002

Penguin Shipyard delivers two 50-metre FSIV, each with a top speed of 32 knots, the largest and fastest ever built in Southeast Asia.

2006

Penguin Shipyard delivers the first Flex-36 crewboat.

2011

Penguin Shipyard delivers 30th Flex-36 crewboat.

PT Kim Seah Shipyard commissions new 100-metre workshop in Batam.

2014

Penguin expands Singapore and Batam shipyards to deliver 50 vessels annually.

Penguin Shipyard delivers:

- First Flex-40, Flex-40SL and Flex-40SLC crewboats.
- First Flex Ferry.

BOARD OF DIRECTORS

MR. JEFFREY HING YIH PEIR

Executive Chairman

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

Mr. Hing is a substantial shareholder in Penguin. Prior to his appointment as Chairman, he served as Non-Executive Director from February 2009. He was last re-elected in April 2014. Mr. Hing has more than 30 years' experience in the marine and offshore industry in a variety of roles ranging from finance to business development. He is the founder and managing director of Trinity Offshore Pte. Ltd., a Singapore-based owner-operator of offshore support/utility vessels and serves on the Board of OEL (Holdings) Limited as a Non-Executive Director. As an experienced entrepreneur in the marine and offshore industry, Mr. Hing brings to Penguin his business acumen and his global network of industry contacts. An accountant by training, Mr. Hing has served in various roles as auditor, accountant, senior executive and director of diversified corporations.

MR. JAMES THAM TUCK CHOONG

Managing Director

Mr. Tham was appointed Managing Director on 1 October 2008 and was last re-elected in April 2014. He was previously the Chief Operating Officer and an Executive Director from August 2008, responsible for strategic business development, focusing on key overseas markets, mergers and acquisitions, as well as investor relations. Mr. Tham joined Penguin in November 2006 as its Business Development Director.

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

MS. JOANNA TUNG MAY FONG

Finance & Administration Director

Ms. Tung was appointed Finance and Administration Director in May 2008 and last re-elected in April 2014. She is responsible for the Group's accounting and finance, corporate reporting, management information system and human resource functions.

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

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

MR. ONG KIAN MIN
Lead Independent Director

Mr. Ong was appointed to the Board in September 1997 and last re-elected in April 2013. He is Chairman of the Audit Committee, a position he has held since October 1997, and a member of the Remuneration and Nominating Committees. He was appointed the Lead Independent Director on 3 May 2013.

Mr. Ong was awarded the President's Scholarship and Police Force Scholarship in 1979. He served as a Member of Parliament of Singapore from January 1997 to April 2011. Mr. Ong holds a Bachelor of Laws (Honours) External Degree from the University of London and a Bachelor of Science (Honours) Degree from the Imperial College of Science and Technology in England. Mr. Ong was called to the Bar of England and Wales in 1988 and to the Singapore Bar the following year.

In addition to practicing as a consultant with Drew & Napier LLC, a leading Singapore law firm, he is a Senior Advisor of Alpha Advisory Pte Ltd (a financial and corporate advisory firm) and CEO of Kanesaka Sushi Private Limited which invests in and operates Japanese fine-dining restaurants. Currently, Mr. Ong also serves as Chairman of Hupsteel Ltd and as an Independent Director on the Board of several other Singapore-listed companies, namely Breadtalk Group Ltd, Food Empire Holdings Limited, Jaya Holdings Limited, GMG Global Ltd and Silverlake Axis Limited.

MR. WONG NGIAM JIH
Independent Director

Mr. Wong was appointed to the Board in May 2006 and last re-elected in April 2013. He is the Chairman of the Nominating Committee, a position he was appointed to on 15 August 2008, and a member of the Audit and Remuneration Committees.

Mr. Wong is the Chief Financial Officer of Keppel Offshore & Marine Ltd and director of a number of companies in the Keppel Group, including Keppel Singmarine Pte Ltd, Keppel Smit Towage Pte Ltd and Keppel Nantong Shipyard Co. Ltd. He also serves as an Alternate Director on the Board of Dyna-Mac Holdings Limited. He has extensive experience of more than 39 years in finance and accounting. Mr. Wong holds a Bachelor of Business Administration degree from the National University of Singapore.

MR. CHAN MOON KONG
Independent Director

Mr. Chan was appointed to the Board on 28 April 2011 and last re-elected in April 2012. He is the Chairman of the Remuneration Committee and a member of the Audit and Nominating Committees.

Mr. Chan is the Senior Vice President of Sembcorp Industries Ltd, a company involved in the provision of essential energy and water solutions to both industrial and municipal customers. Mr. Chan graduated from the University of London with a Bachelor of Engineering (Honours) Degree. He started his career with the Sembcorp group and has accumulated more than 30 years of experience in the ship repair, marine and logistics business.

MR. TAY KIM HOCK
Independent Director

Mr. Tay was appointed to the Board on 15 August 2012 and was last re-elected in April 2013. He is a member of the Audit, Remuneration and Nominating Committees. Mr. Tay retired as Head Marine & Offshore Engineering of IMC Industrial Group on 31 May 2012. He has held several senior management positions including Senior General Manager of Keppel Offshore & Marine, President & Chief Executive Officer of Keppel FELS Brasil S/A, President of FSTP Brasil Ltda, President of Administrative Council of BrasFELS SA, Chief Operating Officer of Intraco Ltd, and Managing Director of Selco Shipyard Ltd.

Mr. Tay graduated from the University of Singapore with Bachelor of Engineering (Mechanical).

KEY MANAGEMENT PERSONNEL

MR. CHEW KIA HOE
General Manager

Penguin International Limited
Penguin Shipyard Asia Pte Ltd
Pelican Offshore Services Pte Ltd
Pelican Ship Management Services Pte Ltd

Mr. Chew joined the Penguin Group in June 2013 as General Manager of Group Operations to oversee the Group's shipbuilding and ship management operations. In November 2014, he was appointed General Manager of Penguin Shipyard Asia Pte Ltd. In February 2015, he was appointed General Manager of Pelican Offshore Services Pte Ltd and Pelican Ship Management Services Pte Ltd.

Mr. Chew possesses 20 years of experience in shipbuilding and ship management, specialising in high-speed aluminium craft. Prior to joining the Penguin Group, he had worked in various supervisory and managerial positions in the construction and operation of crewboats and Fast Supply Intervention Vessels.

Mr. Chew graduated from Ngee Ann Polytechnic in 1992 with a Diploma in Shipbuilding and Offshore Engineering, and holds a UK Bachelor of Engineering Honours Degree in Marine Technology (Small Craft Design) and a Graduate Diploma in Marketing Communications, as well as professional certificates in dynamic positioning, welding technology, safety and risk management.

MR. PHILIP TAN KEOK TONG
General Manager

Penguin Shipyard International Pte Ltd

Mr. Tan was appointed General Manager of Penguin Shipyard International Pte Ltd in January 2009. He is responsible for the Group's shipbuilding, repair and conversion activities in Singapore and Batam.

Mr. Tan was previously General Manager of Penguin Shipyard's Batam subsidiary, PT Kim Seah Shipyard Indonesia.

Mr. Tan possesses more than 30 years of hands-on working experience in the marine and offshore industries, including more than a decade in Batam as Assistant General Manager of newbuilding projects at a major shipyard.

During the course of his career, Mr. Tan has overseen newbuilding order books amounting to more than $200 million across a myriad of vessels, including anchor handlers, crewboats, chemical tankers, cable-laying barges and landing craft.

MR. RICKY CHOO GEOK TONG
General Manager

PT Kim Seah Shipyard Indonesia

Mr. Choo was appointed General Manager of the Group's Batam shipyard, PT Kim Seah Shipyard Indonesia, in March 2011.

Mr. Choo, who was the yard's Deputy General Manager from June 2009, now oversees all shipbuilding, repair and conversion activities in Batam.

He possesses more than 30 years of hands-on working experience in shipbuilding and repair, including close to 10 years working at a major shipyard in Batam.

During the course of his work, Mr. Choo has managed the construction of a variety of vessels, including anchor handlers, crewboats, crude oil tankers, chemical tankers and landing craft.

MR. CHING CHIEW WAI
Deputy General Manager

PT Kim Seah Shipyard Indonesia

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

A certified Fire Safety Manager and Port Facility Security Officer, he is responsible for all operational activities in Batam, including security, facilities and sub-contractor management.

Prior to joining the Penguin Group in January 2008, Mr. Ching had worked in various managerial positions in the food & beverage and property development industries in Singapore.

Mr. Ching graduated in 1985 from California State University, Fresno, with a Bachelor of Science Degree in Business Administration.

MR. PHILIP CHAN BAN ENG
Deputy General Manager

PT Kim Seah Shipyard Indonesia

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

With close to four decades of shipbuilding experience, Mr. Chan is responsible for all production activities in Batam, including production planning, project management and quality control.

Prior to joining the Penguin Group, Mr. Chan had worked as a Production Manager at a Singapore-based aluminium shipyard for close to two decades.

Mr. Chan holds a Diploma in Business Efficiency and Productivity in Production Management from Singapore's NPB Institute for Productivity Training, as well as an Advanced Craft Certificate in Shipbuilding from City and Guilds of London Institute.

MR. SOMU DORASAMY
Senior Commercial Manager

Pelican Ship Management Services Pte Ltd

Mr. Somu was appointed Senior Commercial Manager in January 2014. He is responsible for all commercial and contracting aspects of the Group's chartering and sale & purchase activities.

Mr. Somu, who was Commercial Manager from January 2011, joined the Penguin Group as a Commercial Executive in October 2009. He possesses more than a decade of experience in the offshore and marine industries.

Mr. Somu holds a Degree in Social Science, specialising in Economics and Management, from the University of Science Malaysia in Penang.

KEY MANAGEMENT PERSONNEL / CONT'D

MR. LAW CHWAN YAW

Group Financial Controller

Penguin International Limited

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

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

MR. HO KAI KAY

Human Resource Manager

Penguin International Limited

Mr. Ho joined the Penguin Group in August 2008 as Human Resource Manager. He is responsible for all aspects of the Group's Human Resource activities, including policy formulation, employee communication, discipline, recruitment and personnel development. Mr. Ho also oversees safety and security at the Group's shipyards.

Prior to joining the Penguin Group, Mr. Ho served as Human Resource and Administration Manager at an international property development group in Singapore for 15 years.

Mr. Ho possesses a background in naval operations and holds a Graduate Diploma in Business Administration from the Singapore Institute of Management and a Diploma in Administrative Management from the Institute of Administrative Management.

MR. MARVIN KWAN KAM FYE

Management Information Systems Manager

Penguin International Limited

Mr. Kwan was appointed Manager of the Group's Management Information Systems department in August 2013. His primary responsibility is to manage the implementation, maintenance and review of a variety of software and hardware IT solutions in support of the Group's shipbuilding, repair and vessel operating activities.

Previously, Mr. Kwan was the Group's Assistant MIS Manager from July 2011 and Senior MIS Support Executive from May 2009.

Mr. Kwan possesses more than a decade of hands-on experience in the IT industry. Prior to joining the Penguin Group, he had worked in various IT positions across a myriad of sectors, including government agencies and financial institutions.

Mr. Kwan graduated from Temasek Polytechnic with a Diploma in Information Technology in 1999. He also holds a UK Bachelor of Science Honours Degree in Computing from the University of Greenwich.

CORPORATE INFORMATION

DIRECTORS
Jeffrey Hing Yih Peir
James Tham Tuck Choong
Tung May Fong
Ong Kian Min
Wong Ngiam Jih
Chan Moon Kong
Tay Kim Hock

COMPANY SECRETARIES
Chuang Sheue Ling
Lo Swee Oi Michelle

REGISTERED OFFICE
18 Tuas Basin Link
Singapore 638784
Tel: (65) 6865 2636
Fax: (65) 6862 1087
www.penguin.com.sg

BANKERS
Malayan Banking Berhad
United Overseas Bank Limited

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

AUDITORS
Ernst & Young LLP
One Raffles Quay
North Tower, Level 18
Singapore 048583
Partner in charge: Ho Shyan Yan
*(Since financial year ended
31 December 2010)*

HIGHLIGHTS OF FY2014

HIGHLIGHTS OF FY2014

Finance

- Group revenue rose 49.4% year-on-year to $164.8 million, led by shipbuilding and repair, up 62.1%.
- Ferry and chartering revenue, up 7.3% to $27.4 million.
- Net profit attributable to shareholders of $30.2 million, up 86.5% from the previous year.
- Net foreign exchange loss of $2.6 million, versus $1.1 million the previous year.

Operations

- Delivery of more than 20 vessels in 2014, an increase of more than 50% from the previous year.
- Expansion and upgrade of shipbuilding capacities in Singapore and Batam for the production of 50 vessels a year, an increase of more than 50% from the previous year.
- Increased pace of research and development into new vessel designs and applications.
- Steady growth in crewboat chartering business, still focused on Southeast Asia.

STAYING AHEAD

Capitalising on the proven track record of our Flex brand of multi-role crewboats in the midst of growing global demand, Penguin in 2014 generated record revenue of $164.8 million (up 49.4%) and record net profit of $30.2 million (up 86.5%).

According to a Business Times compilation of SGX-listed companies that reported full-year results for the 2014 calendar year, Penguin was ranked as the 101st most profitable company out of 330. Among marine and offshore companies on the same list, Penguin was number 9.

Of the $164.8 million in 2014 Group revenue:

- $137.4 million or 83.4% came from shipbuilding and repair (up 62.1%);
- $27.4 million or 16.6% came from ferry and charter services (up 7.3%).

Our shipbuilding and repair revenue in 2014 hit a record high of $137.4 million, fuelled by the debut of our upgraded Flex-40 Series of crewboats as well as the introduction of our new Flex Ferry.

In 2014, revenue from our ferry and crewboat charters rose 7.3% from the previous year, due partly to the success of our Malaysian growth strategy, which is centred on building and operating Malaysian-flagged crewboats.

Out of the $30.2 million that we earned in net profit last year, shipbuilding, repair and chartering services contributed 85.7% while other operating income – which generally arises from the sale of vessels from our own fleet – contributed only 14.3% of 2014 net profit, down from 18.9% the previous year.

Despite the 68.1% year-on-year rise in pre-tax profit, our income tax expense decreased by 30.7%, giving us an effective tax rate of 5.1%. This was due mainly to our pro-active approach towards the

legitimate utilisation of tax incentives arising from the progressive policies of our Singapore government.

In 2014, we incurred a net foreign exchange loss of $2.6 million, compared with $1.1 million the previous year. This forex loss arose mainly from the changes in fair value on the forward currency contracts in a strengthening US Dollar environment.

Our forward currency contracts are used solely to hedge foreign currency risk arising from our shipbuilding sales, which are denominated in US Dollars. Management closely monitors the Group's foreign currency risk and will consider various hedging options for significant foreign currency exposure as and when the need arises.

STANDING STRONG

To strengthen our design capabilities, we are deepening our tie with UK naval architecture firm, BMT Nigel Gee, for a range of vessel types. This research and development cooperation partnership between a world-class designer and a world-class builder of high-speed craft will enable Penguin to capture more projects within and beyond the crewboat industry.

Past projects between BMT Nigel Gee and Penguin include catamaran and monohull ferries, and the Flex-25 "Pocket Rocket" crewboat.

In 2014, we also expanded the capacities and upgraded the facilities and equipment of our shipyards in Singapore and Batam, with the aim of boosting productivity, sharpening our competitive edge and extending our range of capabilities in shipbuilding and repair.

The infrastructure works included the erection of a fourth fabrication workshop at PT Kim Seah Shipyard Indonesia and a second fabrication workshop at Penguin Shipyard International Pte Ltd, as well as the completion of concreting works over the entire surface of our 50,000-square metre Batam yard.

From 1Q2015, the combined capacity of our two shipyards will be 50 vessels a year.

In 2015, we expect to maintain a steady output of vessels, based on secured commitments from buyers and on current and projected demand. We also plan to launch several new crewboat designs that will further bolster our status as the world's leading crewboat builder.

Amidst the gloom and doom in the oil and gas industry, we remain quietly confident, as we draw on our inherent strengths as a well-funded, fully integrated designer-builder-owner-operator, and leverage on our economies of scale as the world's biggest crewboat builder.

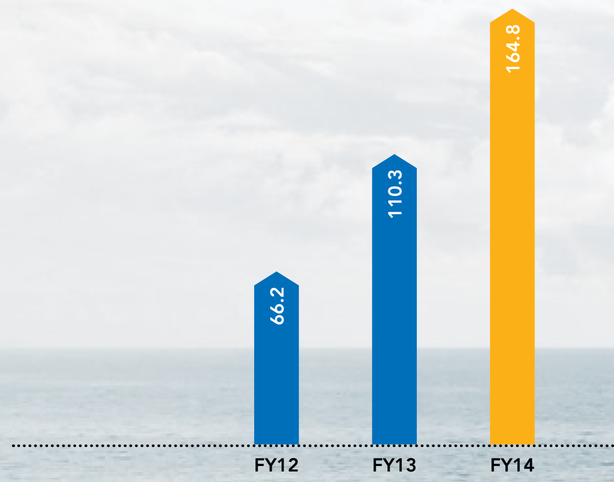
Barring unforeseen circumstances, we expect to remain profitable in FY2015.

KEY BALANCE SHEET HIGHLIGHTS ($'MILLION)	As at 31 Dec 2014	As at 31 Dec 2013
Total Assets	202.2	164.8
Property, plant and equipment	81.3	70.6
Inventories	56.8	26.8
Short-term deposits	1.8	9.2
Cash and bank balances	35.6	33.4
Total Liabilities	64.1	53.8
Total Equity	138.1	111.0

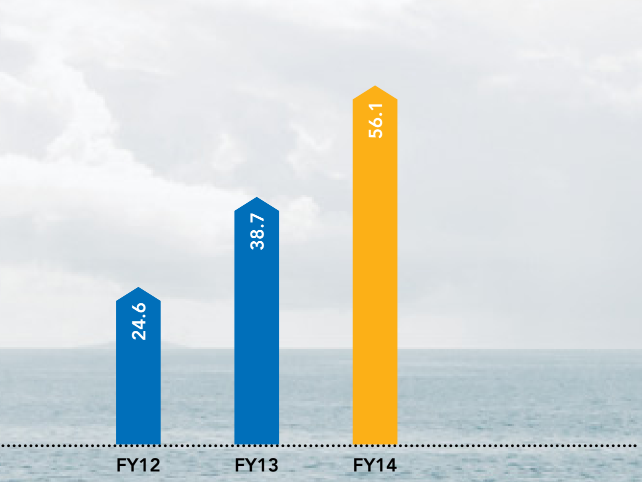
KEY FINANCIAL HIGHLIGHTS IN FY2014

FINANCIAL YEAR ENDED 31 DECEMBER 2014

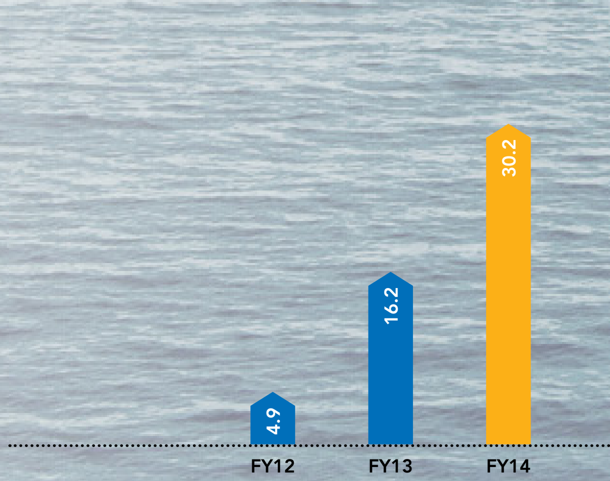
REVENUE
($'m)



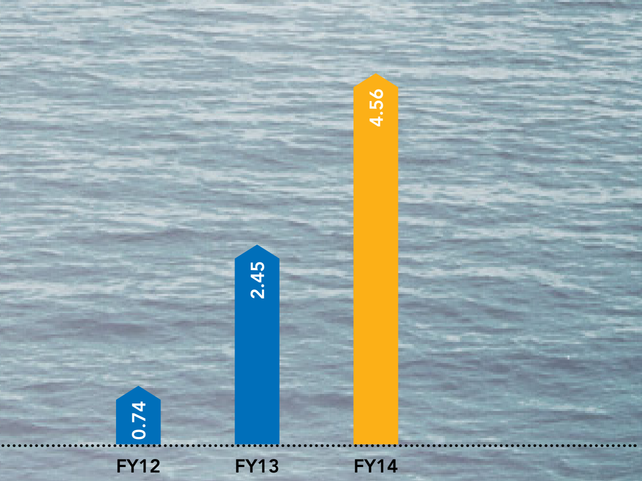
GROSS PROFIT
($'m)



NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS
($'m)



EARNINGS PER SHARE
(SGD cents)



NET ASSET VALUE PER SHARE
(SGD cents)

Penguin International Limited (the "Company") is committed to maintaining high corporate governance standards and sound corporate practices within Penguin International Ltd and its subsidiaries (the "Group") to ensure that effective self-regulation practices are in place to enhance corporate performance and accountability. This report sets out the corporate governance practices of the Company with reference to the principles of the Code of Corporate Governance 2012 (the "2012 Code"). The Code forms part of the Continuing Listing Obligations of the Singapore Exchange Securities Trading Limited's Listing Manual.

BOARD MATTERS

Principle 1: BOARD'S CONDUCT OF AFFAIRS

The Board comprises seven Directors, of whom four are Independent Directors. The Board with its diverse mix of professional backgrounds have greatly benefited the Group. The Directors are as follows:

Executive Directors

Mr. Jeffrey Hing Yih Peir	(Executive Chairman)
Mr. James Tham Tuck Choong	(Managing Director)
Ms. Tung May Fong	(Finance and Administration Director)

Non-Executive Directors

Mr. Ong Kian Min	(Lead Independent Director)
Mr. Wong Ngiam Jih	(Independent Director)
Mr. Chan Moon Kong	(Independent Director)
Mr. Tay Kim Hock	(Independent Director)

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

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

1. supervise the overall management of the business and affairs of the Group and approve the Group's corporate and strategic policies and direction;
2. formulate and approve the Group's financial objectives and monitor its performance such as reviewing and approving of results announcements and approving of annual financial statements;
3. approve the Group's annual budgets, major funding proposals, investment/divestment proposals and corporate or financial restructuring;
4. oversee the processes for evaluating the adequacy of internal controls and risk management including the review and approval of interested person transactions;
5. ensure that necessary financial and human capital resources are available for the Group to meet its objectives;
6. review and endorse the framework of remuneration for the Board and key management personnel as recommended by the Remuneration Committee;
7. approve the nominations to the Board of Directors and appointment of key management personnel, as recommended by the Nominating Committee; and
8. assume responsibility for corporate governance and compliance with the Companies Act, Cap. 50 and the rules and requirements of relevant regulatory bodies.

Delegation of the Board

The Board has delegated specific responsibilities to three committees namely, the Audit Committee ("AC"), the Nominating Committee ("NC") and the Remuneration Committee ("RC") to assist in the execution of its responsibilities. Each Committee has its own written terms of reference which clearly sets out its objectives, duties, powers and responsibilities and which has been amended to be in line with the 2012 Code. Minutes of all Board Committees have been circulated to the Board so that Directors are aware of and are kept updated as to the proceedings and matters discussed during the Committees' meetings.

Attendance at Board and Committee Meetings

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

The attendance of the Directors at meetings of the Board and other Committees during the FY2014 is as follows:

Meetings of:	**Board**	**Audit Committee**	**Nominating Committee**	**Remuneration Committee**
No. of Meetings held:	**4**	**4**	**1**	**1**
Name of Director:	**Attended**	**Attended**	**Attended**	**Attended**
Jeffrey Hing Yih Peir	4	–	–	–
James Tham Tuck Choong	4	–	–	–
Tung May Fong	4	–	–	–
Ong Kian Min	4	4	1	1
Wong Ngiam Jih	4	4	1	1
Chan Moon Kong	4	4	1	1
Tay Kim Hock	4	4	1	1

Matters Requiring Board Approval

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

Board Orientation and Training

The Board ensures that incoming new Directors are given proper guidance and orientation (including on-site visits to the Group's operational facilities) to familiarise them with the Group's business, operations, financial performance and key management staff of the Group as well as corporate governance practices upon their appointment to facilitate the effective discharge of their duties. A formal letter is sent to each new Director, upon his appointment, setting out the Director's statutory duties and obligations. Newly appointed Directors will be encouraged to attend at the Company's expense, courses relating to the Singapore regulatory environment and audit essentials. All Directors are also encouraged to constantly keep abreast of developments in regulatory, legal and accounting frameworks that are relevant to the Group through the extension of opportunities for participation in relevant training courses, seminars and workshops where applicable. The Board as a whole, is updated regularly on risk management, corporate governance and key changes in the relevant regulatory requirements and accounting standards.

Principle 2: BOARD COMPOSITION & GUIDANCE

The Board and its Committees comprise Directors who as a group provide an appropriate balance and diversity of skills and experience including financial, legal and business management. Each Director provides a valuable network of industry contacts which are considered essential to the Group.

All Board Committee Meetings are chaired by Independent Directors and more than half the Board are Independent Directors.

There is a strong and independent element on the Board. The Board is able to exercise objective judgement independently from Management and no individual or small group of individuals dominate the decisions of the Board.

The composition of the Board and independence of each Director is reviewed annually by the NC to ensure that the Board has the appropriate mix of expertise and experience to govern and manage the Group's affairs.

After due and careful rigorous review, the Board, with the concurrence of the NC, has determined that Mr. Ong Kian Min is to be considered independent notwithstanding that he has served on the Board beyond 9 years as he has continued to demonstrate strong independence in character and judgement in the discharge of his responsibilities as a Director of the Company. He has continued to express his individual viewpoints, debated issues and objectively scrutinised and challenged Management. He has sought clarification and amplification when he requires and has direct access to the Group's employees and external advisors. Based on his declaration, Mr. Ong has no relationships or circumstances that are likely to affect or that could affect his judgement that could compromise his independence on Board matters.

In addition, the Board, with the concurrence of the NC, is of the opinion that the Directors, who have been classified as independent under the Board Composition section, are indeed independent.

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

Principle 3: ROLE OF CHAIRMAN AND MANAGING DIRECTOR

The roles of the Executive Chairman and the Managing Director are segregated to ensure an appropriate balance and separation of power and authority, increased accountability and clear division of responsibilities.

The Executive Chairman is responsible for the strategic direction of the Group, the workings of the Board and communicating the performance of the Company and the Group to the Board and shareholders. The Managing Director, with the assistance of a team of key management personnel, is responsible for the day-to-day management of the Group and the Group's strategic goals.

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

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

Principle 4: BOARD MEMBERSHIP

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

Mr. Wong Ngiam Jih (Chairman)
Mr. Ong Kian Min
Mr. Chan Moon Kong
Mr. Tay Kim Hock

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

1. identifying and reviewing candidates and making recommendations to the Board for appointment or re-appointment of members of the Board and of the various Board Committees;
2. determining annually whether or not a Director is independent and whether a Director is able to and has been adequately carrying out his duties as a Director of the Company; and
3. evaluating and assessing the Board's performance to ensure the effectiveness of the Board as a whole and the contributions by each Director to the effectiveness of the Board.

The search and nomination for new directors, if any, will be either from internal promotion or through search companies, contacts and recommendations that go through the normal selection process, to cast the net as wide as possible for the right candidates. When appropriate, new directors are appointed after the NC has reviewed and nominated them for appointment.

The Directors submit themselves for re-nomination and re-election at regular intervals of at least once every three years. Pursuant to Article 91 of the Company's Articles of Association, one-third of the Directors are to retire from office by rotation and be subject to re-election at the Annual General Meeting ("AGM") of the Company. In addition, Article 97 requires a newly appointed director to submit himself for retirement and re-election at the AGM immediately following his appointment. Thereafter, he is subject to retirement by rotation once every three years.

The NC is of the view that whilst it is important for Directors to devote sufficient time and attention to the affairs of the Company, the issue relating to multiple board representations should be left to the judgement and discretion of each Director. The NC noted that based on the attendance at Board and Board Committee meetings during the financial year, all Directors were able to participate in all the meetings to carry out their duties. The NC was therefore satisfied that where a Director had multiple board representations and/or other major commitments, the Director was able to and had been adequately carrying out his duties as a Director of the Company.

Pursuant to Article 91 of the Company's Articles of Association, the Directors due for retirement by rotation at the forthcoming Annual General Meeting are Mr. Ong Kian Min, Mr. Chan Moon Kong and Mr. Tay Kim Hock. Mr. Chan and Mr. Tay have expressed their intention to retire at the Annual General Meeting and will not be seeking re-election.

The NC has recommended that Mr. Ong Kian Min, being eligible and who has offered himself for re-election, be re-elected. The Board has accepted the recommendation of the NC.

Key information on each Director is set out on pages 20 to 21.

Principle 5: BOARD PERFORMANCE

The Board, through the delegation of its authority to the NC, has made its best efforts to ensure each Director possesses the experience, knowledge and skills critical to the Group's business. This is necessary to enable the Board to make sound and well-considered decisions. The NC, in considering the nomination of any Director for re-election, will evaluate the performance of the Director involved.

Evaluation of the performance of the Directors and the Board will be undertaken on a continuous basis by the NC with input from other Board members. Renewal or replacement of directors does not necessarily reflect their contribution to date; it may be driven by the need to position and shape the Board in line with the medium term needs of the Company and its business.

The Board has implemented a process by the NC for assessing the effectiveness of the Board as a whole and is of the view that the performance of the Board as a whole has been satisfactory. The appraisal process focuses on the evaluation of factors such as the size and composition of the Board, the Board's access to information, the Board's processes and accountability, communication with senior Management and the Directors' standard of conduct. The NC discussed the results of the Board's performance evaluation to identify areas where improvements were necessary and made recommendations to the Board for action to be taken. Each member of the NC has abstained from voting on any resolutions in respect of the assessment of his performance or re-nomination as a Director.

Principle 6: ACCESS TO INFORMATION

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

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

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

REMUNERATION MATTERS

Principle 7: PROCEDURES FOR DEVELOPING REMUNERATION POLICIES
Principle 8: LEVEL AND MIX OF REMUNERATION

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

Mr. Chan Moon Kong (Chairman)
Mr. Ong Kian Min
Mr. Wong Ngiam Jih
Mr. Tay Kim Hock

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

1. review and recommend to the Board a framework of remuneration and associated matters of the key management personnel;
2. review and determine the remuneration package and associated matters of each Executive Director;
3. review and recommend to the members of the Company the remuneration and associated matters of the Non-Executive Directors of the Company; and
4. oversee the administration of the Penguin Share Performance Plan, if appropriate.

The RC reviews, for recommendation to the Board, the specific remuneration packages of Executive Directors and key management personnel as well as subsequent increments and performance bonuses where these payments are discretionary. There are appropriate and meaningful measures in place for the purposes of assessing the performance of Executives Directors and key management personnel.

The Executive Directors' remuneration packages are based on the performance of the Group and the individual. Executive Directors do not receive Directors' fees. Non-Executive Directors are paid Directors' fees, determined by the Board based on their effort, time spent and responsibilities. The payment is subject to approval of the shareholders at each AGM. No individual Director is involved in deciding his own remuneration.

In performing its function, the RC endeavours to establish an appropriate remuneration policy to attract, retain and motivate key management personnel and Executive Directors, while at the same time ensuring that the reward in each case takes into account, individual performance as well as corporate performance.

Each Executive Director has entered into separate service agreements with the Company.

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

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

Principle 9: DISCLOSURE OF REMUNERATION

The Board supports and is aware of the need for transparency. However, after deliberation and debate, the Board is of the view that full disclosure of the specific remuneration of each individual Director and the Group's key management personnel (who are not directors) is not in the best interests of the Company and therefore shareholders. Inter alia, the Board has taken into account the very sensitive nature of the matter, the relative size of the Group, the highly competitive business environment the Group operates in and the irrevocable negative impact such disclosure may have on the Group.

Details of remuneration and benefits of Directors and key management personnel for the financial year ended 31 December 2014 which will provide sufficient overview of the remuneration of Directors and key management personnel are set out below:-

	Directors' Fees* %	Salary %	Bonus %	Other benefits %	Total %
Executive Directors					
Between $1,000,000 and $1,500,000					
James Tham Tuck Choong	–	33	63	4	100
Between $500,000 and $999,999					
Tung May Fong	–	42	58	–	100
Between $250,000 and $499,999					
Jeffrey Hing Yih Peir	–	35	65	–	100
Non-Executive Directors					
Below $250,000					
Ong Kian Min	100	–	–	–	100
Wong Ngiam Jih	100	–	–	–	100
Chan Moon Kong	100	–	–	–	100
Tay Kim Hock	100	–	–	–	100

** Directors' Fees are subject to shareholders' approval at the AGM to be held on 28 April 2015.*

Key Management Personnel

Given the highly competitive industry conditions and in the interest of maintaining good morale and a strong spirit of teamwork within the Group, the disclosure relating to the remuneration of the top key management personnel (who are not Directors) of the Group in bands of $250,000 is set out below. Their profiles are found on page 22 to 24 of this Report.

Remuneration Band	No. of Key Management Personnel
Between $250,000 and $499,999	2
Below $250,000	7

Mr. Tung Tak Wai, who is the brother of Executive Director, Ms. Tung May Fong, is an employee in a non-managerial position in the Company whose remuneration was below $150,000 during the year.

ACCOUNTABILITY & AUDIT

Principle 10: ACCOUNTABILITY

The Board provides shareholders with financial statements for the first three quarters and full year within the timeframe in line with Rule 705 of the Listing Manual of SGX-ST. In presenting the annual and quarterly financial statements to shareholders, the Board aims to provide shareholders with a balanced and clear assessment of the Group's performance, financial position and prospects.

Management provides the Board with appropriately detailed management accounts of the Group's performance, position, prospects on a regular basis. The Board is mindful of its obligation to release timely and fair disclosure of material information and does not practise selective disclosure. In line with continuous disclosure obligations of the Company, the SGX-ST's Listing Rules and the Singapore Companies Act, Cap. 50, the Board's policy is that all shareholders should be informed in a timely and equal manner of all major developments that impact the Group.

Principle 11: RISK MANAGEMENT AND INTERNAL CONTROLS
Principle 13: INTERNAL AUDIT

As the Group does not have a risk management committee, the Board, AC and Management assume the responsibility of the risk management function. Management regularly reviews the Group's business and operational activities to identify areas of significant business risks as well as appropriate measures to control and mitigate these risks. The Management reviews all significant control policies and procedures and highlights all significant matters to the Board and the AC.

The Board recognises the need and is responsible for maintaining a system of internal controls and processes to safeguard shareholders' investments and the Group's assets. The AC monitors the effectiveness of the internal control systems and procedures. The Company has in place an internal audit team consisting of staff from different departments to conduct internal audits periodically. The internal audit team reports primarily to the AC Chairman and administratively to the Managing Director. During the year, the AC reviewed the effectiveness of the Company's internal control procedures.

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

The Board, on the recommendation of the AC, appointed Crowe Horwath First Trust Risk Advisory Pte Ltd since December 2013 to carry out the internal audit function of the Group. They have been tasked to conduct regular audit of internal control systems of the Group's companies, recommend necessary improvements and enhancements, and report to the AC. The AC reviews and approves the annual internal audit plan.

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

Assurance has been received from the Managing Director and Finance Director at the financial year-end (a) that the financial records have been properly maintained and the financial statements give true and fair view of the Company's operations and finances and (b) the Company's risk management and internal control systems in place are effective.

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

Principle 12: AUDIT COMMITTEE

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

Mr. Ong Kian Min (Chairman)
Mr. Chan Moon Kong
Mr. Wong Ngiam Jih
Mr. Tay Kim Hock

The profiles of each AC members are set out on page 21 of this Annual Report. The Board is of the view that the members of the AC have the requisite financial management knowledge, expertise and experience to discharge their responsibilities properly.

The AC assists the Board in maintaining a high standard of corporate governance particularly by providing an independent review of the effectiveness of the financial reporting system, management of financial, operational and compliance and information technology controls and monitoring of the internal control systems.

The AC is guided by written terms of reference approved by the Board and meets every quarter and as and when necessary to carry out the following functions:

1. review the scope, audit plans, results and effectiveness of the external and internal auditors;
2. evaluate the adequacy of the internal control systems of the Group by reviewing written reports from the internal and external auditors, and Management's responses and actions to correct any deficiencies;
3. review any appraisal or assessment of the performance of members of the internal audit function;
4. review significant risks or exposures with Management and the external and internal auditors and assess the steps Management has taken to minimise such risks to the Group to safeguard the Group's assets;
5. review the independence of the external auditors annually;
6. review the external auditor's Management letter and Management's response;
7. review the annual and quarterly financial statements and announcements to shareholders to ensure compliance with accounting standards and other legal requirements before submission to the Board for adoption;
8. review related party transactions as may be required by the regulatory authorities or the provisions of the Companies Act; and
9. consider other matters as requested by the Board.

The external auditors have full access to the AC which can conduct or authorise investigations into any matters within its terms of reference. The AC also has full access to and co-operation from Management and the discretion to invite any Director or Executive Officer to attend its meetings and has reasonable resources to enable it to discharge its functions.

In performing its functions, the AC meets with the internal and external auditors, without the presence of Management, to review and discuss findings, problems and reservations arising from their respective audits at least annually. Minutes of the AC meetings are regularly submitted to the Board for its information and review.

To keep abreast of the changes in accounting standards and issues which have a direct impact on financial statements, advice is sought from the external auditors when they attend the AC Meetings half yearly.

The AC confirms that it has reviewed the fees and scope of all non-audit services provided by the external auditors, and is of the view that the nature and extent of the non-audit services does not prejudice the independence and objectivity of the external auditors. The fees payable to the external auditors are disclosed on page 75 of this Annual Report.

In appointing the audit firms for the Group, the AC is satisfied that the Company has complied with Listing Rules 712 and 715. The AC recommends to the Board the re-appointment of Ernst & Young LLP as the external auditor of the Group at the forthcoming AGM.

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

COMMUNICATION WITH SHAREHOLDERS

Principle 14: SHAREHOLDERS' RIGHTS
Principle 15: COMMUNICATION WITH SHAREHOLDERS
Principle 16: CONDUCT OF SHAREHOLDERS MEETINGS

The Group respects the equal information rights of all shareholders and is committed to the practice of fair, transparent and timely disclosure to shareholders in line with continuous disclosure obligations in line with the Listing Manual of the SGX-ST.

Communication with shareholders and the public is maintained through regular dissemination of information such as announcements on quarterly and full year results, press releases on the SGXNet and the Company's corporate website.

All shareholders of the Company receive reports or circulars of the Company including notices of general meetings by post within the mandatory period. Notices of general meetings are also advertised in newspapers and available on the SGX-ST's website.

All registered shareholders of the Company are invited and encouraged to attend and vote at general meetings. Every matter requiring shareholders' approval is proposed as a separate resolution. Each item of special business included in the notice of meeting is accompanied, where appropriate, by an explanation for the proposed resolution. Proxy form is sent with the Notice of meeting to all shareholders. A shareholder may appoint up to two proxies to attend and vote on his behalf at the general meeting through proxy forms deposited 48 hours before the meeting. As authentication of shareholder identity information and other related security issues still remain a concern, the Company has decided, for the time being, not to implement voting in absentia by mail, facsimile or email. Participation of shareholders is encouraged at the AGM through the open question and answer session. The Directors, Management and the external auditor will be available to address any queries or concerns on matters relating to the Company. Meanwhile, the Board has developed several channels, such as the Group's website, email or fax, for shareholders who are not able to attend the AGM to contribute their feedback and inputs regarding the Company and its operations.

While acknowledging that voting by poll is integral in the enhancement of corporate governance and lead to greater transparency of the level of support for each resolution, the Company is concerned over the cost effectiveness and efficiency of the polling procedures which may be logistically and administratively burdensome. Electronic polling may be efficient in terms of speed but may not be cost effective. The Board would adhere to the requirements of the Listing Manual where all resolutions are to be voted by poll at general meetings held on or after 1 August 2015.

In proposing any dividend payout and/or determining the form, frequency and/or the amount of such dividend payout, the Board will take into account, inter alia, the Group's financial position, retained earnings, results of operation and cash flow, the ability of the Company's subsidiaries to make dividend payments to the Company, the Group's expected working capital requirements, the Group's expected capital expenditure and future expansion and investment plans and other funding requirements, general economic conditions and other internal or external factors that may have an impact on the business or financial performance and position of the Group.

The Board endeavours to maintain a balance between meeting shareholders' expectations and prudent capital management with a sustainable dividend policy. The Board will continually review the dividend policy and reserves the right in its sole and absolute discretion to update, amend, modify and/or cancel the dividend policy at any time.

INTERESTED PERSON TRANSACTIONS

The Group has established procedures to ensure that transactions with interested persons are undertaken on an arm's length basis and on normal commercial terms.

The aggregate value of transactions conducted with the following interested persons pursuant to the IPT Mandate was not material (all less than $100,000) during the financial year ended 31 December 2014:

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

DEALINGS IN SECURITIES

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

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

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

OTHER DISCLOSURE REQUIREMENTS

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

The Directors are pleased to present their report to the members together with the audited consolidated financial statements of Penguin International Limited (the "Company") and its subsidiaries (the "Group") and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2014.

DIRECTORS

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

Jeffrey Hing Yih Peir
James Tham Tuck Choong
Tung May Fong
Ong Kian Min
Wong Ngiam Jih
Chan Moon Kong
Tay Kim Hock

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' 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, Cap. 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 2015**	**At the beginning of financial year**	**At the end of the financial year**	**At 21 January 2015**
The Company						
Penguin International Limited (Ordinary shares)						
Jeffrey Hing Yih Peir	–	–	–	130,000,649	130,000,649	130,000,649
James Tham Tuck Choong	2,000,000	2,000,000	2,000,000	–	–	–
Tung May Fong	154,500	154,500	154,500	–	–	–

Except as disclosed in this report, 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.

DIRECTORS' CONTRACTUAL BENEFITS

Except as disclosed in the financial statements, since the end of the previous financial year, no Director of the Company has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the Director, or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

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, Cap. 50. The functions performed are detailed in the Report on Corporate Governance.

AUDITOR

Ernst & Young LLP have expressed their willingness to accept reappointment as auditor.

On behalf of the Board of Directors,

James Tham Tuck Choong
Director

Tung May Fong
Director

23 March 2015

STATEMENT BY DIRECTORS

We, James Tham Tuck Choong and Tung May Fong, being two of the Directors of Penguin International Limited, do hereby state that, in the opinion of the Directors,

(i) the accompanying balance sheets, consolidated income statement, consolidated statement of comprehensive income, statements of changes in equity, and consolidated cash flow statement together with notes thereto are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2014 and the results of the business, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date, and

(ii) 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.

On behalf of the Board of Directors,

James Tham Tuck Choong
Director

Tung May Fong
Director

23 March 2015

For the financial year ended 31 December 2014
Independent auditor's report to the members of Penguin International Limited

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Penguin International Limited (the "Company") and its subsidiaries (collectively, the "Group") set out on pages 45 to 112, which comprise the balance sheets of the Group and the Company as at 31 December 2014, 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 a summary of significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY 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 Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards, 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 profit and loss accounts and balance sheets and to maintain accountability of assets.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2014 and the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date.

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 subsidiaries incorporated in Singapore of which we are the auditor have been properly kept in accordance with the provisions of the Act.

Ernst & Young LLP
Public Accountants and
Chartered Accountants

23 March 2015

CONSOLIDATED INCOME STATEMENT

For the financial year ended 31 December 2014

	Note	2014 $'000	2013 $'000
Continuing operations			
Revenue	4	**164,846**	110,302
Cost of sales		**(108,753)**	(71,573)
Gross profit		**56,093**	38,729
Other operating income	5	**4,304**	3,055
Marketing and distribution costs		**(306)**	(215)
Administrative expenses	6	**(18,724)**	(14,530)
Other operating expenses	7	**(9,878)**	(8,294)
Finance costs	8	**(79)**	(49)
Interest income	8	**175**	96
Profit before tax from continuing operations	10	**31,585**	18,792
Tax expense	11	**(1,610)**	(2,324)
Profit from continuing operations, net of tax		**29,975**	16,468
Discontinued operation			
Profit/(loss) from discontinued operation, net of tax	12	**175**	(300)
Profit for the year		**30,150**	16,168
Attributable to:			
Owners of the Company			
Profit from continuing operations, net of tax		**29,975**	16,468
Profit/(loss) from discontinued operation, net of tax	12	**175**	(300)
Profit for the year attributable to owners of the Company		**30,150**	16,168
Non-controlling interests			
Profit from continuing operations, net of tax		**–**	–
Profit from discontinued operation, net of tax	12	**–**	–
Profit for the year attributable to non-controlling interests		**–**	–
Profit for the year		**30,150**	16,168
Earnings per share from continuing operations attributable to owners of the Company (cents per share)			
– Basic	13(a)	**4.54**	2.49
– Diluted	13(a)	**4.54**	2.49
Earnings per share (cents per share)			
– Basic	13(b)	**4.56**	2.45
– Diluted	13(b)	**4.56**	2.45

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 2014

	2014 **$'000**	2013 $'000
Profit for the year	**30,150**	16,168
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss		
Foreign currency translation	**322**	2
Other comprehensive income for the year, net of tax	**322**	2
Total comprehensive income for the year	**30,472**	16,170
Total comprehensive income for the year attributable to:		
Owners of the Company	**30,472**	16,170
Non-controlling interests	**–**	–
Total comprehensive income for the year	**30,472**	16,170
Total comprehensive income for the year attributable to owners of the company:		
Total comprehensive income from continuing operations, net of tax	**30,297**	16,470
Total comprehensive income/(loss) from discontinued operation, net of tax	**175**	(300)
	30,472	16,170

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

BALANCE SHEETS

As at 31 December 2014

	Note	Group 2014 $'000	Group 2013 $'000	Company 2014 $'000	Company 2013 $'000
Non-current assets					
Property, plant and equipment	14	**81,306**	70,631	**16,595**	15,949
Deferred drydocking expenditure	14	**1,411**	790	**892**	170
Investment in subsidiaries	15	**–**	–	**25,722**	23,722
Other investments	16	**–**	6	**–**	6
Intangible asset	17	**78**	78	**–**	–
Current assets					
Deferred drydocking expenditure	14	**1,104**	663	**424**	154
Inventories	18	**56,777**	26,847	**–**	–
Trade receivables	19	**14,503**	12,131	**2,493**	1,836
Other receivables and deposits	20	**9,036**	6,984	**115**	30
Prepayments		**639**	396	**122**	116
Loans to subsidiaries	21	**–**	–	**56,535**	41,514
Derivatives	22	**2**	203	**–**	2
Fixed deposits	23	**1,769**	9,255	**1,769**	9,255
Cash and bank balances	23	**35,604**	33,373	**4,912**	10,817
		119,434	89,852	**66,370**	63,724
Assets held for sale	14	**–**	3,487	**–**	–
		119,434	93,339	**66,370**	63,724
Current liabilities					
Trade payables	24	**13,864**	7,061	**110**	54
Other payables and accruals	25	**36,241**	33,991	**3,910**	2,741
Provisions	26	**440**	227	**–**	–
Due to customers for contract work-in-progress	27	**1,137**	2,614	**–**	–
Deferred revenue	28	**207**	155	**207**	155
Derivatives	22	**2,425**	204	**2**	–
Provision for income tax		**5,109**	3,539	**–**	–
Deposits from subsidiaries	21	**–**	–	**19,890**	12,484
		59,423	47,791	**24,119**	15,434
Net current assets		**60,011**	45,548	**42,251**	48,290
Non-current liabilities					
Deferred tax liabilities	30	**4,537**	6,057	**2,062**	2,018
Provisions	26	**104**	–	**104**	–
Net assets		**138,165**	110,996	**83,294**	86,119
Equity attributable to owners of the Company					
Share capital	31	**94,943**	94,943	**94,943**	94,943
Retained earnings		**48,644**	21,797	**(11,649)**	(8,824)
Other reserves	32	**(5,422)**	(5,744)	**–**	–
Total equity		**138,165**	110,996	**83,294**	86,119

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2014

	Attributable to owners of the Company			
	Share capital	**Other reserves**	**Retained earnings**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Group				
2014				
Opening balances at 1 January 2014	94,943	(5,744)	21,797	110,996
Profit for the year	–	–	30,150	30,150
Other comprehensive income				
Foreign currency translation	–	322	–	322
Other comprehensive income for the year, net of tax	–	322	–	322
Total comprehensive income for the year	–	322	30,150	30,472
Dividends (Note 36)	–	–	(3,303)	(3,303)
Closing balance at 31 December 2014	94,943	(5,422)	48,644	138,165

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY / CONT'D

For the financial year ended 31 December 2014

	Attributable to owners of the Company			
	Share capital	**Other reserves**	**Retained earnings**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Group				
2013				
Opening balances at 1 January 2013	94,943	(4,913)	4,502	94,532
Profit for the year	–	–	16,168	16,168
Other comprehensive income				
Foreign currency translation	–	2	–	2
Other comprehensive income for the year, net of tax	–	2	–	2
Total comprehensive income for the year	–	2	16,168	16,170
Disposal of plant and equipment	–	(833)	1,127	294
Closing balance at 31 December 2013	94,943	(5,744)	21,797	110,996

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY / CONT'D

For the financial year ended 31 December 2014

	Share capital $'000	Revenue earnings $'000	Total equity $'000
Company			
2014			
Balance at 1 January 2014	94,943	(8,824)	86,119
Total comprehensive profit for the year	–	478	478
Dividends (Note 36)	–	(3,303)	(3,303)
Balance at 31 December 2014	94,943	(11,649)	83,294
2013			
Balance at 1 January 2013	94,943	(4,671)	90,272
Total comprehensive loss for the year	–	(4,153)	(4,153)
Balance at 31 December 2013	94,943	(8,824)	86,119

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 2014

	Note	2014 $'000	2013 $'000
Operating activities			
Profit before tax from continuing operations		**31,585**	18,792
Profit/(loss) before tax from discontinued operation		**167**	(298)
Profit before tax, total		**31,752**	18,494
Adjustments for:			
Depreciation of property, plant and equipment and amortisation of deferred drydocking expenditure		**7,968**	7,622
Gain on disposal of property, plant and equipment and deferred drydocking expenditure		**(1,743)**	(1,659)
Gain on disposal of asset held for sale		**(1,662)**	(712)
Gain on disposal of investment		**(3)**	–
Interest income		**(175)**	(96)
Dividend income from investment in quoted equity shares		**–**	(1)
Property, plant and equipment written off		**1**	3
Impairment of property, plant and equipment		**184**	1,307
(Reversal)/allowance for doubtful debts (Trade)		**(275)**	82
Allowance for doubtful debts (Non-trade)		**–**	24
Reversal of impairment for inventories		**–**	(4)
Net fair value loss on derivatives		**2,422**	360
Provision/(reversal) of warranty claims on shipbuilding contracts, net		**229**	(114)
Currency alignment		**(1,350)**	(216)
Operating cash flows before changes in working capital		**37,348**	25,090
Inventories		**(29,930)**	(5,971)
Trade receivables		**(2,097)**	5,806
Other receivables, deposits and prepayments		**(2,119)**	(4,743)
Trade payables		**6,803**	1,325
Other payables and accruals		**2,250**	1,419
Provisions		**88**	(8)
Due to customers for contract work-in-progress		**(1,477)**	2,614
Deferred revenue		**52**	(70)
Cash flows from operations		**10,918**	25,462
Interest received		**175**	96
Income taxes paid, net		**(1,720)**	(1,760)
Net cash flows from operating activities		**9,373**	23,798

For the financial year ended 31 December 2014

	Note	2014 $'000	2013 $'000
Investing activities			
Dividend income from investment in quoted equity shares		**–**	1
Proceeds from disposal of property, plant and equipment and deferred drydocking expenditure		**4,747**	13,682
Proceeds from disposal of asset held for sale		**5,149**	1,500
Proceeds from disposal of investment		**9**	–
Purchase of property, plant and equipment and deferred drydocking expenditure		**(21,479)**	(34,689)
Net cash flows used in investing activities		**(11,574)**	(19,506)
Financing activities			
Decrease/(increase) in pledged deposits with licensed bank		**1,381**	(1,381)
Dividends paid		**(3,303)**	–
Net cash flows used in financing activities		**(1,922)**	(1,381)
Net (decrease)/increase in cash and cash equivalents		**(4,123)**	2,911
Effect of exchange rate changes on cash and cash equivalents		**249**	1,221
Cash and cash equivalents at 1 January		**41,247**	37,115
Cash and cash equivalents at 31 December	23	**37,373**	41,247

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

For the financial year ended 31 December 2014

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 to act as owners, operators of passenger ferries and launches, and investment holding. The principal activities of the subsidiaries are disclosed in Note 15 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 ("FRS").

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

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

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 January 2014. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Company.

For the financial year ended 31 December 2014

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

2.3 Standards issued but not yet effective

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

Description	**Effective for annual periods beginning on or after**
Amendments to FRS 19 *Defined Benefit Plans: Employee Contributions*	1 July 2014
Improvements to FRSs (January 2014)	
(a) Amendments to FRS 102 *Share Based Payment*	1 July 2014
(b) Amendments to FRS 103 *Business Combinations*	1 July 2014
(c) Amendments to FRS 108 *Operating Segments*	1 July 2014
(d) Amendments to FRS 16 *Property, Plant and Equipment* and FRS 38 *Intangible Assets*	1 July 2014
(e) Amendments to FRS 24 *Related Party Disclosures*	1 July 2014
Improvements to FRSs (February 2014)	
(a) Amendments to FRS 103 *Business Combinations*	1 July 2014
(b) Amendments to FRS 113 *Fair Value Measurement*	1 July 2014
(c) Amendments to FRS 40 *Investment Property*	1 July 2014
FRS 114 *Regulatory Deferral Accounts*	1 January 2016
Amendments to FRS 27 *Equity Method in Separate Financial Statements*	1 January 2016
Amendments to FRS 16 and FRS 38 *Clarification of Acceptable Methods of Depreciation and Amortisation*	1 January 2016
Amendments to FRS 16 and FRS 41 *Agriculture: Bearer Plants*	1 January 2016
Amendments to FRS 111 *Accounting for Acquisitions of Interests in Joint Operations*	1 January 2016
Improvements to FRSs (November 2014)	
(a) Amendments to FRS 105 *Non-current Assets Held for Sale and Discontinued Operations*	1 January 2016
(b) Amendments to FRS 107 *Financial Instruments: Disclosures*	1 January 2016
(c) Amendments to FRS 19 *Employee Benefits*	1 January 2016
(d) Amendments to FRS 34 *Interim Financial Reporting*	1 January 2016
Amendments to FRS 110 & FRS 28: *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	1 January 2016
Amendments to FRS 1 Disclosure Initiative	1 January 2016
Amendments to FRS 110, FRS 112 and FRS 28 Investment Entities: Applying the Consolidation Exception	1 January 2016
FRS 115 *Revenue from Contracts with Customers*	1 January 2017
FRS 109 *Financial Instruments*	1 January 2018

For the financial year ended 31 December 2014

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

2.3 Standards issued but not yet effective (cont'd)

Except for FRS 115 Revenue from Contracts with Customers and FRS 109 Financial Instruments, the directors expect that the adoption of the other standards above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policies on adoption of FRS 115 and FRS 109 are described below:

FRS 115 Revenue from Contracts with Customers

FRS 115 was issued in November 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers.

Under FRS 115 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in FRS 115 provide a more structured approach to measuring and recognising revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under FRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017 with early adoption permitted.

The Group is currently assessing the impact of FRS 115 and plans to adopt the new standard on the required effective date.

FRS 109 Financial Instruments

In December 2014, the ASC issued the final version of FRS 109 Financial Instruments which reflects all phases of the financial instruments project and replaces FRS 39 Financial Instruments: Recognition and Measurement. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. FRS 109 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory in the year of adoption.

The adoption of FRS 109 will have an effect on the classification and measurement of the Group's financial assets, but no impact on the classification and measurement of the Group's financial liabilities.

2.4 Basis of consolidation and business combinations

(a) *Basis of consolidation*

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

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

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

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

For the financial year ended 31 December 2014

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

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

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

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:

– De-recognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost;

– De-recognises the carrying amount of any non-controlling interest;

– De-recognises 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;

– Re-classifies 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 accordance with FRS 39 either 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 FRS.

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 2.8. In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

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

2.5 Transactions with non-controlling interests

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

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

2.6 Foreign currency

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

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

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

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

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

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

In the case of a partial disposal without loss of control of a subsidiary that includes a foreign operation, the proportionate share of the cumulative amount of the exchange differences are re-attributed to non-controlling interest and are not recognised in profit or loss. For partial disposals of associates or jointly controlled entities that are foreign operations, the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

For the financial year ended 31 December 2014

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

2.7 Subsidiaries

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

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

2.8 Goodwill

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

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

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

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

2.9 Property, plant and equipment and deferred drydocking expenditure

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.

For the financial year ended 31 December 2014

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

2.9 Property, plant and equipment and deferred drydocking expenditure (cont'd)

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

Tugs and barges	10 – 20 years
Leasehold buildings	6 – 30 years
Motor launches	15 – 20 years
Machinery and equipment	4 – 15 years
Office equipment	3 – 10 years
Motor vehicles	5 years

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

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

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset is included in profit or loss in the year the asset is derecognised.

Deferred drydocking expenditure is carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation of deferred drydocking expenditure begins when drydocking is completed and the vessels are available for use. Deferred expenditure is amortised over a period of 4 years on a straight line basis.

2.10 Impairment of non-financial assets

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

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into accounts if available. If no such can be identified, an appropriate valuation model is used.

The Group bases its impairment calculation on market valuations, 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 of continuing operations are recognised in profit or loss in those expense categories consistent with the function of the impaired asset.

For the financial year ended 31 December 2014

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

2.10 Impairment of non-financial assets (cont'd)

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

2.11 Financial instruments

(a) *Financial assets*

Initial recognition and measurement

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

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

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 at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing 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 as defined by FRS 39. Derivatives, including embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Subsequent to initial recognition, financial assets 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 assets are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss include exchange differences, interest and dividend income.

(ii) *Loans and receivables*

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

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

2.11 Financial instruments (cont'd)

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

(iii) *Available-for-sale financial assets*

Available-for-sale financial assets include equity securities. Equity investments classified as available-for sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss.

After initial recognition, available-for-sale financial assets are subsequently measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is de-recognised.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

Derecognition

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On de-recognition of a financial asset 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 profit or loss.

Regular way purchase and sale of a financial asset

All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

(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.

For the financial year ended 31 December 2014

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

2.11 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 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.

De-recognition

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 de-recognition 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.

2.12 Derivative financial instruments

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

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

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

2.13 Impairment of financial assets

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

(a) ***Financial assets carried at amortised cost***

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in profit or loss.

When the asset becomes uncollectible, the carrying amount of impaired financial assets is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

(b) ***Financial assets carried at cost***

If there is objective evidence (such as significant adverse charges in the business environment where the issuer operates probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

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

2.13 Impairment of financial assets (cont'd)

(c) *Available-for-sale financial assets*

In the case of equity investments classified as available-for-sale, objective evidence of impairment include (i) significant financial difficulty of the issuer or obligor, (ii) information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in equity instrument may not be recovered; and (iii) a significant or prolonged decline in the fair value of the investment below its costs. 'Significant' is to be evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its acquisition cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from other comprehensive income and recognised in profit or loss. Reversals of impairment losses in respect of equity instruments are not recognised in profit or loss; increase in their fair value after impairment are recognised directly in other comprehensive income.

2.14 Cash and cash equivalents

Cash and cash equivalents comprise 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.

2.15 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes materials and all direct expenditure in bringing the inventories to their present location and condition and are accounted for on a weighted average 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.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

2.16 Construction contracts

The Group principally operates fixed price contracts. Contract revenue and contract costs are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the end of the reporting period (the percentage of completion method), when the outcome of a construction contract can be estimated reliably.

The outcome of a construction contract can be estimated reliably when: (i) total contract revenue can be measured reliably; (ii) it is probable that the economic benefits associated with the contract will flow to the entity; (iii) the costs to complete the contract and the stage of completion can be measured reliably; and (iv) the contract costs attributable to the contract can be clearly identified and measured reliably so that actual contract costs incurred can be compared with prior estimates.

When the outcome of a construction contract cannot be estimated reliably (principally during early stages of a contract), contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable and contract costs are recognised as expense in the period in which they are incurred.

For the financial year ended 31 December 2014

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

2.16 Construction contracts (cont'd)

An expected loss on the construction contract is recognised as an expense immediately when it is probable that total contract costs will exceed total contract revenue.

In applying the percentage of completion method, revenue recognised corresponds to the total contract revenue (as defined below) multiplied by the actual completion rate based on the proportion of completion of total contract costs incurred to date and the estimated costs to complete.

Contract revenue – Contract revenue corresponds to the initial amount of revenue agreed in the contract and any variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue; and they are capable of being reliably measured.

Contract costs – Contract costs include costs that relate directly to the specific contract and costs that are attributable to contract activity in general and can be allocated to the contract.

2.17 Work-in-progress

Construction-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.

2.18 Deferred revenue/gain

Deferred revenue/gain comprises sales of ferry tickets billed in advance at the year end. Income from sales of ferry tickets will be released to revenue when passengers utilise the tickets.

2.19 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.

2.20 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 financial cost.

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

2.20 Provisions (cont'd)

Liquidated damages

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

Foreseeable losses

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

Onerous contracts

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

Warranty provisions

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

2.21 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) *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.

2.22 Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

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

2.22 Leases (cont'd)

(a) ***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 the 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.

(b) ***As lessor***

Leases where the Group transfers substantially all the risks and rewards of ownerships of the asset are classified as finance leases. The carrying amount of lease asset is derecognised at the inception of the lease. The present value of the minimum lease payments receivable are recognised on the Group's balance sheet. Lease payments receivable are apportioned between the finance income and reduction of the lease receivable so as to achieve a constant rate of interest on the remaining balance of the receivable. Finance income is recognised in profit or loss.

2.23 Assets classified as held for sale and discontinued operation

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 amounts 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. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. A component of the Group is classified as a "discontinued operation" when the criteria to be classified as held for sale have been met or it has been disposed of and such a component represents a separate major line of business or geographical area of operations or is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations.

In profit or loss of the current reporting period, and of the comparative period of the previous year, all income and expenses from discontinued operation are reported separately from income and expenses from continuing operations, down to the level of profit after taxes. The resulting profit or loss (after taxes) is reported separately in profit or loss.

Property, plant and equipment and deferred drydocking expenditure once classified as held for sale are not depreciated or amortised.

For the financial year ended 31 December 2014

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

2.24 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group assesses its revenue arrangements to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognised:

(a) ***Revenue from ferry and charter hire, ship management services and repairs and maintenance***

Revenue from ferry and charter hire, ship management services and repairs and maintenance is recognised upon rendering of services. Passenger fares are recognised upon completion of each voyage. The value of unused tickets is included in current liabilities as deferred revenue.

(b) ***Revenue from shipbuilding and sale of goods***

Revenue is recognised upon the transfer of significant risk and rewards of ownership of the boats and goods to the customer, usually on delivery and acceptance of the boats and goods sold. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(c) ***Interest and dividend income***

Interest income is recognised using the effective interest method. Dividend income is recognised when the Group's right to receive payment is established.

2.25 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.

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

2.25 Taxes (cont'd)

(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 the 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.

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.

For the financial year ended 31 December 2014

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

2.25 Taxes (cont'd)

(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.

2.26 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 review 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 35, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.27 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 Company; 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.

Contingent liabilities and assets are not recognised on the balance sheet of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

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

2.29 Related parties

A related party is defined as follows:

(a) A person or a close member of that person's family is related to the Group and Company if that person:

(i) Has control or joint control over the Company;

(ii) Has significant influence over the Company; or

(iii) Is a member of the key management personnel of the Group or Company or of a parent of the Company.

(b) An entity is related to the Group and the Company if any of the following conditions applies:

(i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

2.30 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 operating income".

For the financial year ended 31 December 2014

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 each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements was 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) ***Useful lives of property, plant and equipment***

The cost of property, plant and equipment is depreciated on a straight-line basis over the property, plant and equipment's estimated economic useful lives. Management estimates the useful lives of these assets to be within 3 to 30 years. The carrying amount of the Group's property, plant and equipment (excluding construction-in-progress) at 31 December 2014 was $75,886,000 (2013: $60,356,000). Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

If the useful lives of the Group's motor launches increase or decrease by 2 years, the impact to the Group's profit before tax is not material (less than 5% the Group's profit before tax).

(b) ***Impairment of investments and financial assets***

The Group follows the guidance of FRS 39 in determining when an investment or financial asset is other than temporarily impaired. This determination requires significant judgement by the Group which evaluates, among other factors, the duration, and extent to which the fair value of an investment or financial asset is less than its cost; and the financial health of and near-term business outlook for the investment or financial asset including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

(c) ***Impairment of non-financial assets***

The Group assesses 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.

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

3.1 *Key sources of estimation uncertainty (cont'd)*

(d) *Taxes*

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax provisions already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the relevant tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Group company's domicile.

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

(e) *Provision for warranty claims*

In the previous year, the Group recognised provision for warranty claims associated with certain completed shipbuilding contracts. The amount of the provision for warranty claim was estimated by management based on past experience of the possible repairs and rectifications. The provision for warranty claims at 31 December 2014 was $440,000 (2013: $227,000) (Note 26).

3.2 *Judgments made in applying accounting policies*

(a) *Impairment of non-financial assets*

An impairment exist when the carrying value of an asset or cash generating unit exceed its recoverable amount which is the higher of its fair value less costs to sell and its value in use.

When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Fair value less costs to sell is estimated based on observable market prices less incremental costs of disposing the asset.

Further details of the key assumptions applied in the impairment assessment of goodwill are given in Note 17 to the financial statements.

The carrying amount of the Group's goodwill at 31 December 2014 was $78,000 (2013: $78,000).

For the financial year ended 31 December 2014

4. REVENUE

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

	Group	
	2014	2013
	$'000	$'000
Ferry and charter hire income	**27,404**	25,530
Income from shipbuilding	**136,454**	81,359
Income from ship repairs and maintenance	**988**	3,413
	164,846	110,302

5. OTHER OPERATING INCOME

	Group	
	2014	2013
	$'000	$'000
Gain on disposal of non-current assets	**1,743**	1,659
Gain on disposal of asset held for sale	**1,647**	712
Insurance claims	**169**	17
Scrap sales	**566**	358
Grant received	**83**	12
Dividend income	**–**	1
Others	**96**	296
	4,304	3,055

For the financial year ended 31 December 2014

6. ADMINISTRATIVE EXPENSES

	Group	
	2014	2013
	$'000	$'000
Included in administrative expenses are the following:		
Audit fees:		
– Auditors of the Company	**(251)**	(201)
Non-audit fees:		
– Auditors of the Company	**(176)**	(217)
– Other auditors	**(49)**	(18)
Depreciation of property, plant and equipment	**(1,429)**	(1,052)
Employee benefits expense (Note 9)	**(13,599)**	(9,952)
Legal fees	**(373)**	(762)
Professional fees	**(101)**	(226)
Property, plant and equipment written off	**(1)**	(3)
Operating lease expenses	**(527)**	(256)
Reversal for impairment of parts and spares (Note 18)	**–**	4
Water and electricity	**(353)**	(318)
Transportation	**(338)**	(196)

7. OTHER OPERATING EXPENSES

	Group	
	2014	2013
	$'000	$'000
Other operating expenses include:		
Depreciation of property, plant and equipment	**(5,557)**	(4,683)
Net foreign exchange loss	**(155)**	(718)
Impairment loss on property, plant and equipment (Note 14)	**(184)**	(1,250)
Reversal for impairment of trade receivables	**67**	142
Allowance for impairment of other receivables	**–**	(24)
Insurance expense	**(879)**	(835)
Net fair value loss on derivatives	**(2,422)**	(360)

For the financial year ended 31 December 2014

8. FINANCE COSTS/INTEREST INCOME

	Group	
	2014	2013
	$'000	$'000
Bank charges	**(79)**	(49)
Interest income from short term deposits and bank balances	**175**	96

9. EMPLOYEE BENEFITS

	Group	
	2014	2013
	$'000	$'000
Wages, salaries and bonuses	**(17,622)**	(14,017)
Central Provident Fund contributions	**(1,034)**	(1,054)
Other short-term benefits	**(1,552)**	(689)
	(20,208)	(15,760)
Presented in:		
Administrative expenses (Note 6)	**(13,599)**	(9,952)
Cost of sales	**(6,609)**	(5,808)
	(20,208)	(15,760)

10. PROFIT BEFORE TAX FROM CONTINUING OPERATIONS

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

	Group	
	2014	2013
	$'000	$'000
Depreciation and amortisation of property, plant and equipment and deferred drydocking expenditure	**(7,968)**	(7,534)
Inventories recognised as an expense in cost of sales (Note 18)	**(96,591)**	(58,873)
(Provision)/reversal of warranty claims, net (Note 26)	**(229)**	114
Operating lease expenses (Note 29(b))	**(1,576)**	(1,455)

11. INCOME TAX EXPENSE

Major components of income tax expense

The major components of income tax expense for the years ended 31 December 2014 and 2013 are:

	Group	
	2014	2013
	$'000	$'000
Consolidated income statement:		
Current tax – continuing operations:		
– Current year	**(5,244)**	(3,614)
– Over provision in respect of previous years	**2,117**	112
Deferred tax – continuing operations:		
– Movement in temporary differences	**151**	104
– Over provision in respect of previous years	**1,366**	1,074
Income tax expense recognised in profit or loss from continuing operations	**(1,610)**	(2,324)
Income tax attributable to discontinued operation (Note 12)	**8**	(2)
Income tax expenses	**(1,602)**	(2,326)

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 2014 and 2013 are as follows:

	Group	
	2014	2013
	$'000	$'000
Profit before tax from continuing operations	**31,585**	18,792
Profit/(loss) before tax from discontinued operation	**167**	(298)
Profit before taxation	**31,752**	18,494
Tax expense at the domestic rate applicable to profits in the countries where the Group operates	**(4,536)**	(3,228)
Tax effect of expenses not deductible	**(457)**	(114)
Tax effect of income not subject to tax	**547**	23
Over provision in respect of prior year	**3,483**	1,186
Utilisation of deferred tax assets previously not recognised	**279**	400
Deferred tax assets not recognised	**(1,183)**	(1,214)
Effect of partial tax exemption and tax relief	**366**	463
Others	**(109)**	160
Income tax expense recognised in the income statement	**(1,610)**	(2,324)

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

For the financial year ended 31 December 2014

12. DISCONTINUED OPERATION

The Group's subsidiary, Soon Tian Oon Pte Ltd ("STO") which was in the bunkering business, ceased its business activities in late financial year 2013. Accordingly, the results of STO in 2014 and 2013 are presented separately on the consolidated income statement as "Profit/(loss) from discontinued operation, net of tax".

Income statement disclosures

The results of STO for the years ended 31 December are as follows:

	2014 **$'000**	2013 $'000
Revenue	**–**	11,038
Gain on disposal of asset held for sale	**15**	–
Other services and supplies	**4**	19
Depreciation and amortisation of property, plant and equipment and deferred drydocking expenditure	**–**	(88)
Expenses	**(60)**	(10,965)
(Loss)/profit from operation	**(41)**	4
Finance costs	**–**	(21)
Reversal/(allowance) for impairment of trade receivables	**208**	(224)
Impairment loss on plant and equipment (Note 14)	**–**	(57)
Profit/(loss) before tax from discontinued operation	**167**	(298)
Tax credit/(expense)		
- Current tax	**4**	(17)
- Deferred tax	**4**	15
Profit/(loss) from discontinued operation, net of tax attributable to equityholders of the Company	**175**	(300)

Cash flow statement disclosures

The cash flows attributable to STO are as follows:

	2014 **$'000**	2013 $'000
Operating	**145**	552
Investing	**30**	–
Financing	**–**	–
Net cash inflows	**175**	552

12. DISCONTINUED OPERATION (CONT'D)

Statement of comprehensive income disclosures

No foreign currency translation has been recognised in other comprehensive income and accumulated in equity.

Earning/(loss) per share disclosures

	Group	
	2014	2013
Earning/(loss) per share from discontinued operation attributable to owners of the Company (cents per share)		
Basic	**0.03**	(0.05)
Diluted	**0.03**	(0.05)

The basic and diluted earning/(loss) per share from discontinued operation are calculated by dividing the profit/(loss) from discontinued operation, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares for basic earnings per share computation and weighted average number of ordinary shares for diluted earnings per share computation respectively. These profit/(loss) and share data are presented in the tables in Note 13(a).

13. EARNINGS PER SHARE

(a) ***Continuing operations***

Basic earnings per share from continuing operations are calculated by dividing profit from continuing operations, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share from continuing operations are calculated by dividing profit from continuing operations, net of tax, attributable to owners of the Company (after adjusting for interest expense on convertible redeemable preference shares) 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.

13. EARNINGS PER SHARE (CONT'D)

(a) *Continuing operations (cont'd)*

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	
	2014	2013
	$'000	$'000
Profit for the year attributable to owners of the Company	**30,150**	16,168
(Less)/add back: (Profit)/loss from discontinued operation, net of tax, attributable to owners of the Company	**(175)**	300
Profit from continuing operations, net of tax, attributable to owners of the Company used in the computation of basic and diluted earnings per share from continuing operations	**29,975**	16,468
Weighted average number of ordinary shares for basic and diluted earnings per share computation	**660,518**	660,518

There were no transactions involving ordinary shares or potential ordinary shares during the year and since the reporting date to the completion of these financial statements.

(b) *Earnings per share computation*

The basic and 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 for basic earnings per share computation and weighted average number of ordinary shares for diluted earnings per share computation respectively. These profit and share data are presented in the tables in Note 13 (a) above.

For the financial year ended 31 December 2014

14. PROPERTY, PLANT AND EQUIPMENT AND DEFERRED DRYDOCKING EXPENDITURE

Group	At Cost									
	Tugs and barges	Leasehold buildings	Motor launches	Machinery and equipment	Office equipment	Motor vehicles	Construct-ion in progress	Total property, plant and equipment	Deferred drydocking expenditure	Property, plant and equipment and deferred drydocking expenditure
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cost										
At 1 January 2013	1,963	19,531	73,144	10,853	5,390	528	–	111,409	9,349	120,758
Additions	–	440	21,363	1,542	916	24	10,275	34,560	129	34,689
Disposals	–	–	(19,142)	(203)	(3)	–	–	(19,348)	(2,222)	(21,570)
Transfer to asset held for sale	(578)	–	(3,471)	(13)	–	–	–	(4,062)	–	(4,062)
Transfer from asset held for sale	–	–	1,117	–	–	–	–	1,117	159	1,276
Written off	–	–	(698)	(947)	(2,049)	(37)	–	(3,731)	(4,912)	(8,643)
Net exchange difference	–	(1,061)	45	(90)	(7)	–	–	(1,113)	–	(1,113)
At 31 December 2013 and 1 January 2014	1,385	18,910	72,358	11,142	4,247	515	10,275	118,832	2,503	121,335
Additions	–	2,224	6,903	2,408	756	42	6,965	19,298	2,181	21,479
Transfer	–	1,609	10,690	–	–	–	(12,299)	–	–	–
Disposals	–	–	(3,501)	–	(29)	(11)	–	(3,541)	(96)	(3,637)
Reclassification	–	–	–	73	–	–	–	73	(73)	–
Written off	–	–	–	(2)	(14)	–	–	(16)	–	(16)
Net exchange difference	5	162	851	17	4	1	479	1,519	–	1,519
At 31 December 2014	1,390	22,905	87,301	13,638	4,964	547	5,420	136,165	4,515	140,680

For the financial year ended 31 December 2014

14. PROPERTY, PLANT AND EQUIPMENT AND DEFERRED DRYDOCKING EXPENDITURE (CONT'D)

Group (cont'd)	At Cost									
	Tugs and barges	Leasehold buildings	Motor launches	Machinery and equipment	Office equipment	Motor vehicles	Construct-ion in progress	Total property, plant and equipment	Deferred drydocking expenditure	Property, plant and equipment and deferred drydocking expenditure
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Accumulated depreciation/ amortisation and impairment loss										
At 1 January 2013	869	6,776	32,312	8,224	4,730	503	–	53,414	5,356	58,770
Charge for the year	135	800	4,448	188	226	26	–	5,823	1,799	7,622
Disposals	–	–	(8,222)	(19)	(3)	–	–	(8,244)	(1,303)	(9,547)
Transfer to asset held for sale	(562)	–	–	(13)	–	–	–	(575)	–	(575)
Transfer from asset held for sale	–	–	237	–	–	–	–	237	110	347
Impairment loss for the year	57	–	1,250	–	–	–	–	1,307	–	1,307
Written off	–	–	(698)	(944)	(2,049)	(37)	–	(3,728)	(4,912)	(8,640)
Net exchange difference	–	(29)	6	(7)	(3)	–	–	(33)	–	(33)
At 31 December 2013 and 1 January 2014	499	7,547	29,333	7,429	2,901	492	–	48,201	1,050	49,251
Charge for the year	46	973	5,122	389	439	17	–	6,986	982	7,968
Disposals	–	–	(575)	–	(15)	(11)	–	(601)	(32)	(633)
Impairment loss for the year	–	–	184	–	–	–	–	184	–	184
Written off	–	–	–	(1)	(14)	–	–	(15)	–	(15)
Net exchange difference	–	(3)	108	(1)	–	–	–	104	–	104
At 31 December 2014	545	8,517	34,172	7,816	3,311	498	–	54,859	2,000	56,859
Net carrying amount										
At 31 December 2013	886	11,363	43,025	3,713	1,346	23	10,275	70,631	1,453	72,084
At 31 December 2014	845	14,388	53,129	5,822	1,653	49	5,420	81,306	2,515	83,821

14. PROPERTY, PLANT AND EQUIPMENT AND DEFERRED DRYDOCKING EXPENDITURE (CONT'D)

Company	Leasehold buildings $'000	Motor launches $'000	Machinery and equipment $'000	Office equipment $'000	Motor vehicles $'000	Total Property, plant and equipment $'000	Deferred Drydocking expenditure $'000	Property, plant and equipment and deferred drydocking expenditure $'000
Cost								
At 1 January 2013	11,540	22,894	850	3,216	184	38,684	3,065	41,749
Additions	13	–	453	678	–	1,144	187	1,331
Transfer from asset held for sale	–	1,102	–	–	–	1,102	161	1,263
Written off	–	(698)	(803)	(1,848)	(37)	(3,386)	(2,509)	(5,895)
At 31 December 2013 and 1 January 2014	11,553	23,298	500	2,046	147	37,544	904	38,448
Additions	1,700	–	768	228	–	2,696	1,393	4,089
Disposals	–	–	–	(35)	–	(35)	–	(35)
At 31 December 2014	13,253	23,298	1,268	2,239	147	40,205	2,297	42,502
Accumulated depreciation/ amortisation and impairment loss								
At 1 January 2013	5,587	12,487	813	2,656	156	21,699	2,631	24,330
Charge for the year	461	1,164	11	147	22	1,805	348	2,153
Transfer from asset held for sale	–	227	–	–	–	227	110	337
Impairment loss	–	1,250	–	–	–	1,250	–	1,250
Written off	–	(698)	(803)	(1,848)	(37)	(3,386)	(2,509)	(5,895)
At 31 December 2013 and 1 January 2014	6,048	14,430	21	955	141	21,595	580	22,175
Charge for the year	489	986	109	259	6	1,849	401	2,250
Disposals	–	–	–	(18)	–	(18)	–	(18)
Impairment loss	–	184	–	–	–	184	–	184
At 31 December 2014	6,537	15,600	130	1,196	147	23,610	981	24,591
Net carrying amount								
At 31 December 2013	5,505	8,868	479	1,091	6	15,949	324	16,273
At 31 December 2014	6,716	7,698	1,138	1,043	–	16,595	1,316	17,911

14. PROPERTY, PLANT AND EQUIPMENT AND DEFERRED DRYDOCKING EXPENDITURE (CONT'D)

Deferred drydocking expenditure

	Group		Company	
	2014	2013	**2014**	2013
	$'000	$'000	**$'000**	$'000
Presented as:				
Non-current	**1,411**	790	**892**	170
Current	**1,104**	663	**424**	154
	2,515	1,453	**1,316**	324

Assets pledged as security

Net book value of property, plant and equipment pledged to secure banking facilities are as follows:

	Group		Company	
	2014	2013	**2014**	2013
	$'000	$'000	**$'000**	$'000
Motor launches	**16,078**	4,164	**6,658**	4,164

Impairment of assets

During the year, the Group and the Company carried out a review of the recoverable amount of certain motor launches which were laid up.

Impairment losses amounting to $184,000 (2013: $1,250,000) from continuing operations and $NIL (2013: $57,000) from discontinued operation in relation to certain motor launches and barges have been recognised in "other operating expenses" and "Loss from discontinued operation, net of tax" line items of the consolidated income statement respectively. The recoverable amount of a motor launch from continuing operations in 2014 was based on its net realisable value from quotations that the Company has obtained. The recoverable amounts of motor launches from continuing operations in 2013 were based on their value in use by virtue of contracts the Company has secured from these vessels to generate future economic benefits for the Company. For the assets relating to the discontinued operation in 2013, the recoverable amounts were based on contracted selling prices for the assets which were subsequently sold in 2014.

Assets held for sale

In prior year, the Group entered into sale agreements for the disposal of motor launch and barges. The assets that were classified as assets held for sale were sold in 2014.

14. PROPERTY, PLANT AND EQUIPMENT AND DEFERRED DRYDOCKING EXPENDITURE (CONT'D)

Changes in estimates

In prior year, the Group conducted an operational efficiency review on its fleet of crewboats included in the Group's motor launches. The Group revised the estimated useful lives of the crewboats from twenty to fifteen years. The revision in estimate was applied on a prospective basis from 1 October 2013. The effect of the above revision on depreciation charge in current and future periods are as follows:

	2014	2015	2016
	$'000	$'000	$'000
Increase in depreciation expense	**1,613**	868	832

15. INVESTMENT IN SUBSIDIARIES

	Company	
	2014	2013
	$'000	$'000
Unquoted equity shares, at cost	**32,476**	30,476
Impairment losses	**(6,754)**	(6,754)
Carrying amount of investments	**25,722**	23,722

Analysis of movement in impairment losses of investment in subsidiaries:

At beginning of year	**6,754**	6,810
Reversal of impairment loss	**–**	(56)
At end of year	**6,754**	6,754

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15. INVESTMENT IN SUBSIDIARIES (CONT'D)

Name	Principal activities	Country of incorporation	Ownership interest held by the Company 2014 %	Ownership interest held by the Company 2013 %	Cost of investment 2014 $'000	Cost of investment 2013 $'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**	–	**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(1)	Management and operation of Flex crewboats	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 services	Singapore	**100**	100	**1,107**	1,107
Soon Tian Oon Pte Ltd(1)	Dormant	Singapore	**100**	100	**231**	231
Penguin Marine Offshore Services Pte Ltd(1)	Dormant	Singapore	**100**	100	**5,003**	5,003
					32,476	30,476

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15. INVESTMENT IN SUBSIDIARIES (CONT'D)

Name	Principal activities	Country of incorporation and place of business	Ownership interest held by subsidiaries 2014 %	2013 %
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 Bold Pte Ltd[1]	Management and operation of Flex crewboats	Singapore	**100**	100
POS Brave Pte Ltd[1]	Management and operation of Flex crewboats	Singapore	**100**	100
POS Glow Pte Ltd[1]	Management and operation of Flex crewboats	Singapore	**100**	100
POS Bless 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

(1) *Audited by Ernst & Young LLP, Singapore.*

(2) *Audited by a member firm of Ernst & Young Global.*

(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.*

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16. OTHER INVESTMENTS

	Group		Company	
	2014	2013	**2014**	2013
	$'000	$'000	**$'000**	$'000
Quoted equity shares, at fair value	**–**	11	**–**	11
Unquoted equity shares	**287**	287	**287**	287
Impairment losses	**(287)**	(292)	**(287)**	(292)
	–	6	**–**	6

Movement of impairment losses:

	Group		Company	
	2014	2013	**2014**	2013
	$'000	$'000	**$'000**	$'000
1 January	**292**	292	**292**	292
Disposal of quoted equity shares	**(5)**	–	**(5)**	–
31 December	**287**	292	**287**	292

17. INTANGIBLE ASSET

	Goodwill
	$'000
Group	
Cost	
At 1 January 2013, 31 December 2013, 1 January 2014 and 31 December 2014	291
Accumulated impairment loss	
At 1 January 2013, 31 December 2013, 1 January 2014 and 31 December 2014	(213)
Net carrying amount	
At 31 December 2013 and 31 December 2014	78

17. INTANGIBLE ASSET (CONT'D)

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 assessed to be required for the financial year ended 31 December 2014 as the recoverable value (represented by the market value of the property owned by PT Kim Seah Shipyard) was in excess of the carrying value of goodwill.

18. INVENTORIES

	Group	
	2014	2013
	$'000	$'000
Balance sheet:		
Trading stocks (at net realisable value)	**–**	1
Parts and spares (at cost)	**347**	232
Repairs and maintenance work-in-progress (at cost)	**4**	20
Shipbuilding work-in-progress (at cost)	**56,426**	26,594
	56,777	26,847
Income statement:		
Inventories recognised as an expense in cost of sales (Note10)	**96,591**	58,873
Reversal of impairment for parts and spares recognised as an expense in administrative expenses (Note 6)	**–**	(4)

19. TRADE RECEIVABLES

	Group		Company	
	2014	2013	**2014**	2013
	$'000	$'000	**$'000**	$'000
Trade receivables	**15,733**	14,340	**2,493**	1,836
Allowance for impairment	**(1,230)**	(2,209)	**–**	–
	14,503	12,131	**2,493**	1,836

Trade receivables are non-interest bearing and are generally on 30 days' terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

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19. TRADE RECEIVABLES (CONT'D)

Included in trade receivables are amounts denominated in the following foreign currencies:

	Group		Company	
	2014	2013	**2014**	2013
	$'000	$'000	**$'000**	$'000
United States Dollar	**8,474**	8,003	**258**	296
Malaysia Ringgit	**373**	95	**–**	–

<u>Receivables that are past due but not impaired</u>

The Group has trade receivables amounting to $9,087,000 (2013: $8,446,000) that are past due at the end of the reporting period but not impaired. These receivables are unsecured except for balances from customers amounting to $1,492,000 (2013: $1,293,000) which was secured by banker's guarantees and the analysis of their aging at the end of the reporting period is as follows:

	Group	
	2014	2013
	$'000	$'000
Less than 30 days	**7,146**	5,983
30 to 60 days	**687**	1,000
61 to 90 days	**695**	559
More than 90 days	**559**	904
	9,087	8,446

19. TRADE RECEIVABLES (CONT'D)

Receivables that are impaired

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

	Group Individually impaired	
	2014	2013
	$'000	$'000
Trade receivables	**1,230**	2,646
Less: Allowance for impairment	**(1,230)**	(2,209)
	–	437
Movement in allowance accounts:		
At 1 January	**2,209**	2,325
Reversal of over provision in prior years	**(418)**	(125)
Charge to the profit and loss account	**143**	207
Written off	**(806)**	(219)
Exchange difference	**102**	21
At 31 December	**1,230**	2,209

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.

20. OTHER RECEIVABLES AND DEPOSITS

	Group		Company	
	2014	2013	**2014**	2013
	$'000	$'000	**$'000**	$'000
Other receivables	**964**	26	**15**	22
Deposits	**7,847**	6,010	**88**	8
Insurance claims	**225**	948	**12**	–
	9,036	6,984	**115**	30

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20. OTHER RECEIVABLES AND DEPOSITS (CONT'D)

Included in other receivables and deposits are amounts denominated in the following foreign currencies:

	Group		Company	
	2014	2013	**2014**	2013
	$'000	$'000	**$'000**	$'000
Indonesian Rupiah	**6**	3	**–**	–
United States Dollar	**2,873**	845	**–**	–
Euro	**3,252**	4,523	**–**	–
Australian Dollar	**266**	355	**–**	–
Malaysia Ringgit	**6**	4	**–**	–
Sterling Pound	**179**	156	**–**	–
Norwegian Krone	**–**	66	**–**	–

21. LOANS TO SUBSIDIARIES / DEPOSITS FROM SUBSIDIARIES

Loans to subsidiaries are unsecured, bear interest of 1.84% to 1.92% (2013: 1.81% to 1.85%) per annum and are repayable on demand. Included in loan to subsidiaries is $66,000 (2013: $2,416,000) denominated in United States Dollar.

Loans to subsidiaries are stated after deducting an allowance for impairment of $28,909,000 (2013: $27,701,000).

	Company	
	2014	2013
	$'000	$'000
Movement in allowance accounts:		
At 1 January	**27,701**	23,637
Reversal of over provision in prior years	**(2,411)**	–
Charge to the profit and loss account	**3,150**	3,683
Exchange difference	**469**	381
At 31 December	**28,909**	27,701

Deposits from subsidiaries are unsecured, bear interest of 0.64% to 0.99% (2013: 0.45% to 0.82%) per annum and repayable on demand. Included in deposits from subsidiaries of the Company are $3,492,000 (2013: $5,047,000) denominated in United States Dollar.

22. DERIVATIVES

	Group					
	2014			2013		
	Contract/ notional amount $'000	Assets $'000	Liabilities $'000	Contract/ notional amount $'000	Assets $'000	Liabilities $'000
Forward currency contracts	**59,431**	**2**	**2,425**	70,652	203	204
Total derivatives		**2**	**2,425**		203	204

Forward currency contracts are used to hedge foreign currency risk arising from the Group's sales denominated in USD for which firm commitments existed at the end of the reporting period, extending to October 2015.

The Company's derivative liability (2013: asset) pertain to forward currency contracts with notional amounts of $2,000,000 (2013: $4,353,000).

23. CASH AND BANK BALANCES

	Group		Company	
	2014	2013	**2014**	2013
	$'000	$'000	**$'000**	$'000
Cash and bank balances	**35,604**	33,373	**4,912**	10,817
Fixed deposits	**1,769**	9,255	**1,769**	9,255
	37,373	42,628	**6,681**	20,072

Included in cash and fixed deposits are amounts denominated in the following foreign currencies:

	Group		Company	
	2014	2013	**2014**	2013
	$'000	$'000	**$'000**	$'000
United States Dollar	**13,462**	13,458	**442**	656
Indonesian Rupiah	**329**	136	**2**	2
Euro Dollar	**6,015**	3,986	**–**	–
Malaysia Ringgit	**183**	300	**–**	–

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 (2013: 1 week and 6 months), mostly less than 3 months depending on the immediate cash requirements of the Group and the Company, and earn interests at the respective short-term deposit rates.

Fixed deposits of $NIL (2013: $1,381,000) are pledged with licensed banks for banking facilities granted to the Group.

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23. CASH AND BANK BALANCES (CONT'D)

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

	Group	
	2014	2013
	$'000	$'000
Cash and bank balances		
– Continuing operations	**35,530**	32,691
– Discontinued operation	**74**	682
	35,604	33,373
Fixed deposits (excluding pledged fixed deposits)	**1,769**	7,874
Cash and cash equivalents	**37,373**	41,247

24. TRADE PAYABLES

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

Included in trade payables are amounts denominated in the following foreign currencies:

	Group		Company	
	2014	2013	**2014**	2013
	$'000	$'000	**$'000**	$'000
Euro	**1,524**	919	**–**	–
United States Dollar	**737**	1,946	**–**	–
Indonesian Rupiah	**231**	153	**–**	–
Australia Dollar	**–**	138	**–**	–
Sterling Pound	**–**	162	**–**	–
Norwegian Krone	**–**	164	**–**	–
Malaysia Ringgit	**109**	–	**–**	–
Others	**11**	13	**–**	–

25. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2014	2013	**2014**	2013
	$'000	$'000	**$'000**	$'000
Accrued operating expenses	**21,971**	17,497	**3,436**	1,834
Advance payments and deposits received	**12,847**	14,516	**404**	560
Advance billings	**604**	1,364	**–**	235
Other payables	**819**	614	**70**	112
	36,241	33,991	**3,910**	2,741

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25. OTHER PAYABLES AND ACCRUALS (CONT'D)

Included in other payables and accruals are amounts denominated in the following foreign currencies:

	Group		Company	
	2014	2013	**2014**	2013
	$'000	$'000	**$'000**	$'000
Indonesian Rupiah	**625**	91	**–**	–
United States Dollar	**17,644**	24,058	**300**	223
Malaysia Ringgit	**569**	879	**–**	–
Euro	**449**	1,394	**–**	–
Others	**9**	–	**–**	–

26. PROVISIONS

	Group		Company	
	2014	2013	**2014**	2013
	$'000	$'000	**$'000**	$'000
Current:				
Provision for warranty claims	**440**	227	**–**	–
Non-current:				
Provision for restoration cost	**104**	–	**104**	–

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

	Group	
	2014	2013
	$'000	$'000
At beginning of the year	**227**	349
Additions during the year	**450**	230
Reversal during the year	**(221)**	(344)
Payments during the year	**(16)**	(8)
	440	227

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.

The provision for restoration cost is recognised for expected cost required to be incurred to reinstate the leased land from Jurong Town Corporation to the original condition upon expiry of the lease in 2020. The provision is based on recent quotations from contractors. Management is of the view that the current provisions are adequate to cover the cost of reinstatement.

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27. DUE TO CUSTOMERS FOR CONTRACT WORK-IN-PROGRESS

	Group	
	2014	2013
	$'000	$'000
Contract costs incurred to-date	**50**	289
Recognised profits less recognised losses to-date	**–**	66
	50	355
Less: Progress billings and advances	**(1,187)**	(2,969)
	(1,137)	(2,614)
Presented as:		
Due to customers for contract work-in-progress	**(1,137)**	(2,614)
	(1,137)	(2,614)
Advances received included in amounts due to customers for contract work	**1,187**	2,969

28. DEFERRED REVENUE

	Group		Company	
	2014	2013	**2014**	2013
	$'000	$'000	**$'000**	$'000
Ferry tickets billed in advance	**207**	155	**207**	155

29. 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	
	2014	2013	**2014**	2013
	$'000	$'000	**$'000**	$'000
Capital commitments in respect of shipbuilding costs	**25,697**	39,152	**–**	–
Capital commitments in respect of property, plant and equipment	**4,219**	7,173	**–**	–

29. COMMITMENTS (CONT'D)

(b) *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 30 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. Operating lease payments recognised including ad-hoc lease payments recognised as an expense in profit or loss during the year amounted to $1,576,000 (2013: $1,455,000).

Future minimum lease payments payable under non-cancellable operating leases as at end of the reporting period are as follows:

	Group		Company	
	2014	2013	**2014**	2013
	$'000	$'000	**$'000**	$'000
Future minimum lease				
– not later than 1 year	809	684	429	206
– later than 1 year but not later than 5 years	1,664	1,001	1,560	824
– later than 5 years	1,426	1,425	1,426	1,425
	3,899	3,110	3,415	2,455

(c) *Continuing financial support*

The Company has undertaken to provide continuing financial support to fourteen (2013: seven subsidiaries) 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' reports relating to the 31 December 2014 financial statements. The subsidiaries are Penguin Marine Offshore Services Pte Ltd, Penguin Marine Services Pte Ltd, PKS Shipyard Pte Ltd, PT Kim Seah Shipyard Indonesia, Pelican Ship Management Services Pte Ltd, POS Gallant Pte Ltd, Pelican Offshore Worldwide Pte Ltd, Pelican Offshore Malaysia Corp, Flex Fleet Sdn Bhd, POS Grace Pte Ltd, POS Bold Pte Ltd, POS Glow Pte Ltd, POS Victory Pte Ltd and Penguin Transporter Pte Ltd.

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30. DEFERRED TAX LIABILITIES

	Group				Company	
	Consolidated balance sheet		Consolidated income statement		Balance sheet	
	2014	2013	**2014**	2013	**2014**	2013
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
Deferred tax liabilities						
Differences in depreciation	**(4,689)**	(6,263)	**1,574**	1,991	**(2,205)**	(2,161)
Asset revaluation reserve	**(203)**	(203)	**–**	–	**–**	–
Unabsorbed capital allowance and unutilised tax losses carried forward	**355**	409	**(53)**	(798)	**143**	143
	(4,537)	(6,057)	**1,521**	1,193	**(2,062)**	(2,018)

During the year, the Company and six subsidiaries (2013: the Company and eight subsidiaries) transferred $6,879,345 (2013: $7,190,429) of their current year tax losses and capital allowances to be deducted against the assessable income of five subsidiaries (2013: two subsidiaries) pursuant to the Group Relief Scheme, subject to compliance with the relevant rules and procedures and agreement of the Inland Revenue Authority of Singapore. The tax savings arising from the application of Group Relief amounted to approximately $1,169,489 (2013: $1,222,373).

At the balance sheet date, the Group has unutilised tax losses of approximately $4,294,416 (2013: $2,066,771) 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 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.

Tax consequences of proposed dividends

There are no income tax consequences attached to the dividends to the shareholders proposed by the Company but not recognised as a liability in the financial statements (Note 36).

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31. SHARE CAPITAL

	Group and Company			
	2014		2013	
	No. of shares '000	**$'000**	No. of shares '000	$'000
Ordinary shares				
Issued and fully paid				
Balance at 1 January and 31 December	**660,518**	**94,943**	660,518	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.

32. OTHER RESERVES

	Group	
	2014	2013
	$'000	$'000
Asset revaluation reserve	**566**	566
Foreign currency translation reserve	**(5,988)**	(6,310)
	(5,422)	(5,744)

(a) ***Asset revaluation reserve***

The asset revaluation reserve represents increases in the fair value of motor launches, net of tax prior to 2009, and decreases to the extent that such decrease relates to an increase on the same asset previously recognised in other comprehensive income.

	Group	
	2014	2013
	$'000	$'000
At 1 January	**566**	1,399
Transfer to retained earnings on disposal of plant and equipment	**–**	(833)
At 31 December	**566**	566

32. OTHER RESERVES (CONT'D)

(a) *Asset revaluation reserve (cont'd)*

The Group changed its accounting policy for property, plant and equipment from revaluation model to cost model in 2009.

(b) *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.

	Group	
	2014	2013
	$'000	$'000
At 1 January	**(6,310)**	(6,312)
Net effect of exchange differences arising from translation of financial statements of foreign operations	**322**	2
At 31 December	**(5,988)**	(6,310)

33. 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 between the Group and related parties took place at terms agreed between the parties during the financial year:

	Related party		Subsidiaries	
	2014	2013	**2014**	2013
	$'000	$'000	**$'000**	$'000
Project management cost	**–**	–	**(7,329)**	(6,774)
Charter hire fee income	**–**	–	**2,039**	1,466
Commission income	**–**	–	**366**	338
Management fee income	**–**	–	**4,010**	3,906
Interest income	**–**	–	**991**	681
Interest expense	**–**	–	**(171)**	(25)
Ship management expense	**–**	–	**(212)**	(129)
Rental income	**1**	–	**378**	393
Allowance for impairment of loans to subsidiaries	**–**	–	**(739)**	(3,683)
Ship repair cost	**–**	–	**(549)**	(185)
Sales of inventory	**–**	–	**7**	–
Disposal of fixed assets	**–**	–	**3**	–

33. RELATED PARTY TRANSACTIONS (CONT'D)

(b) *Compensation of key management personnel*

	Company	
	2014	2013
	$'000	$'000
Short-term employee benefits	**4,438**	3,416
Central Provident Fund contributions	**162**	168
	4,600	3,584
Comprise amounts paid to:		
Directors fees	**224**	235
Directors of the Company	**2,161**	1,565
Other key management personnel	**2,215**	1,784
	4,600	3,584

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

34. GUARANTEES

(a) The Group and Company had outstanding bank guarantees amounting to approximately $302,413 (2013: $350,413) and $302,413 (2013: $350,413) respectively, in respect of the performance of charter-hire and maintenance contracts.

(b) The Company has provided corporate guarantees amounting to $3,000,000 (2013: $5,000,000) to banks in respect of loan and other banking facilities undertaken by subsidiaries.

For the financial year ended 31 December 2014

35. SEGMENT INFORMATION

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

(a) The ferry and charter services segment provides ferry services and chartering of motor launches.

(b) The shipbuilding and repair segment act as a builder of high speed aluminium and steel commercial vessels and supplier of related repairs and maintenance services.

(c) The discontinued operation, Soon Tian Oon Pte Ltd ("STO") was previously classified under "Bunkering" segment, which acts as a distributor and dealer of petroleum products.

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. Group financing (including finance costs) and income taxes are managed on a group basis and are not allocated to operating segments.

Transfer prices between operating segments are in a manner similar to transactions with third parties.

For the financial year ended 31 December 2014

35. SEGMENT INFORMATION (CONT'D)

	Ferry and charter services		Shipbuilding and repair		Discontinued operation		Adjustments and eliminations		Notes	Total	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013		**2014**	2013
	$'000	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000		**$'000**	$'000
Revenue:											
Sales to external customers	**27,404**	25,530	**137,442**	84,772	**–**	11,038	**–**	(11,038)	A	**164,846**	110,302
Inter-segment sales	**–**	2	**21,846**	29,694	**–**	–	**(21,846)**	(29,696)	B	**–**	–
Total revenue	**27,404**	25,532	**159,288**	114,466	**–**	11,038	**(21,846)**	(40,734)		**164,846**	110,302
Results:											
Interest income	**139**	212	**101**	29	**–**	–	**(65)**	(145)	C	**175**	96
Dividend income	**–**	1	**–**	–	**–**	–	**–**	–		**–**	1
Depreciation and amortisation	**6,519**	6,456	**960**	617	**–**	88	**489**	373	A	**7,968**	7,534
Financial expenses	**108**	43	**36**	124	**–**	21	**(65)**	(139)	A, C	**79**	49
Other non-cash expenses	**117**	1,319	**1**	(140)	**(208)**	259	**208**	(303)	A, D	**118**	1,135
Segment profit/(loss)	**8,486**	3,992	**29,887**	21,446	**167**	(297)	**(6,955)**	(6,349)	E	**31,585**	18,792

For the financial year ended 31 December 2014

35. 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 2014 and 2013:

	Ferry and charter services		Shipbuilding and repair		Discontinued operation		Adjustments and eliminations		Notes	Total	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013		**2014**	2013
	$'000	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000		**$'000**	$'000
Assets and liabilities:											
Additions to non-current assets	**13,767**	40,762	**5,573**	2,136	**–**	–	**2,139**	(8,209)	F	**21,479**	34,689
Other investments	**–**	6	**–**	–	**–**	–	**–**	–		**–**	6
Goodwill	**–**	–	**78**	78	**–**	–	**–**	–		**78**	78
Segment assets	**103,098**	111,004	**123,905**	89,345	**469**	733	**(25,243)**	(36,238)	G	**202,229**	164,844
Segment liabilities	**13,783**	20,680	**63,117**	54,733	**112**	546	**(12,948)**	(22,111)	H	**64,064**	53,848

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

A The amounts relating to the discontinued operation segment has been excluded to arrive at amounts shown in profit or loss as they are presented separately in the statement of comprehensive income within one line item, "Profit/(loss) from discontinued operation, net of tax".

B Inter-segment revenues are eliminated on consolidation.

C Inter-segment interest income and finance expenses are eliminated on consolidation.

D Other non-cash expenses consist of allowance for doubtful debts and impairment of investment and fixed assets presented in the respective notes to the financial statements.

E The following items are deducted from segment profit/(loss) to arrive at "Profit before tax from continuing operations" presented in the consolidated income statement:

	2014	2013
	$'000	$'000
Profit from inter-segment sales	**(3,766)**	(6,245)
Unallocated expenses	**(522)**	(401)
Segment results of discontinued operation	**(167)**	297
Dividend	**(2,500)**	–
	(6,955)	(6,349)

The unallocated expenses pertain mainly to depreciation and amortisation.

For the financial year ended 31 December 2014

35. SEGMENT INFORMATION (CONT'D)

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

G The following items are deducted from segment assets to arrive at total assets reported in the consolidated balance sheet:

	2014 $'000	2013 $'000
Inter-segment assets	**(31,960)**	(41,742)
Unallocated assets	**6,717**	5,504
	(25,243)	(36,238)

H The following items are deducted from segment liabilities to arrive at total liabilities reported in the consolidated balance sheet:

	2014 $'000	2013 $'000
Deferred tax liabilities	**4,537**	6,057
Inter-segment liabilities	**(17,485)**	(28,168)
	(12,948)	(22,111)

Geographical information

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

	Group Revenue	
	2014 $'000	2013 $'000
Singapore	**71,463**	36,623
Rest of Southeast Asia	**23,652**	34,310
Africa	**66,378**	39,232
Russia	**2,098**	8,386
Others	**1,255**	2,789
Discontinued operation	**–**	(11,038)
	164,846	110,302

In the opinion of the Directors, it would be inaccurate to analyse non-current assets and capital expenditure by geographical segment because the non-current assets comprise mainly of vessels and cannot be meaningfully allocated as the vessels can be deployed on different routes.

Information about major customer
Revenue from three (2013: three) major customers amount to $70,243,000 (2013: $46,740,000), arising from sales by the shipbuilding and repair segment.

For the financial year ended 31 December 2014

36. DIVIDENDS

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

Dividends on ordinary shares, subject to shareholders' approval at the AGM:

	Group and Company	
	2014	2013
	$'000	$'000
– Final exempt (one-tier) dividend for 2014: 0.5 cent (2013: 0.5 cent) per share	**3,303**	3,303
– Special exempt (one-tier) dividend for 2014: 0.5 cent (2013: NIL) per share	**3,303**	–

37. FAIR VALUE OF FINANCIAL INSTRUMENTS

(a) *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.

Determination of fair value

Derivatives (Note 22) Forward currency contracts are valued using a valuation technique with market observable inputs. The most frequently applied valuation techniques include forward pricing using present value calculations. The models incorporate various inputs including foreign exchange spot and forward rates and forward rate curves.

The Group has no financial instruments which are valued using unobservable inputs.

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

(b) *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, loans to subsidiaries, cash and cash equivalents, trade payables, other payables and accruals, 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.

38. 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 interest rate risk, liquidity risk, credit risk and foreign currency 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.

(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 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 receivables on an on-going basis. The credit risk concentration profile of the Group's trade receivables at the balance sheet date is as follows:

For the financial year ended 31 December 2014

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

(a) *Credit risk (cont'd)*

	Group			
	2014		2013	
	$'000	%	$'000	%
By country:				
Malaysia	**7,454**	**51**	1,119	9
Singapore	**5,656**	**39**	3,827	32
Rest of Southeast Asia	**901**	**6**	1,012	8
Africa	**246**	**2**	5,440	45
Middle East	**–**	**–**	429	4
Others	**246**	**2**	304	2
	14,503	**100**	12,131	100
By industry sectors:				
Ferry and charter	**5,312**	**37**	4,398	36
Shipbuilding and repair	**9,188**	**63**	7,720	64
Discontinued operation	**3**	**–**	13	–
	14,503	**100**	12,131	100

At the end of the reporting period, approximately 63% (2013: 53%) of the Group's trade receivables were due from three (2013: three) major customers who are multi-industry conglomerates located in various countries.

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment record with the Group. Cash and cash equivalents that are neither past due nor impaired 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 19.

(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.

For the financial year ended 31 December 2014

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

(b) *Liquidity risk (cont'd)*

The table below summarises 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.

	1 year or less $'000	1 to 5 years $'000	Over 5 years $'000	Total $'000
Group				
2014				
Financial liabilities				
Trade payables	13,864	–	–	13,864
Other payables and accruals	36,241	–	–	36,241
Derivatives	2,425	–	–	2,425
Total undiscounted financial liabilities	52,530	–	–	52,530
2013				
Financial liabilities				
Trade payables	7,061	–	–	7,061
Other payables and accruals	33,991	–	–	33,991
Derivatives	204	–	–	204
Total undiscounted financial liabilities	41,256	–	–	41,256

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

(b) *Liquidity risk (cont'd)*

	1 year or less $'000	1 to 5 years $'000	Over 5 years $'000	Total $'000
Company				
2014				
Financial liabilities				
Trade payables	110	–	–	110
Other payables and accruals	3,910	–	–	3,910
Deposits from subsidiaries	20,052	–	–	20,052
Derivative	2			2
Total undiscounted financial liabilities	24,074	–	–	24,074
2013				
Financial liabilities				
Trade payables	54	–	–	54
Other payables and accruals	2,741	–	–	2,741
Deposits from subsidiaries	12,563	–	–	12,563
Total undiscounted financial liabilities	15,358	–	–	15,358

(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 Euro (EUR). Approximately 82% (2013: 87%) of the Group's sales are denominated in foreign currency whilst almost 67% (2013: 51%) of costs are denominated in the respective functional currencies of the Group entities.

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 $19,989,000 (2013: $17,880,000) and $444,000 (2013: $658,000) for the Group and the Company respectively.

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

(c) *Foreign currency risk (cont'd)*

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 EUR exchange rate (against SGD), with all other variables held constant, of the Group's profit net of tax.

	Increase/ (decrease) in profit net of tax 2014 $'000	Increase/ (decrease) in profit net of tax 2013 $'000
USD/SGD – strengthened 3% (2013: 3%)	**163**	(95)
USD/SGD – weakened 3% (2013: 3%)	**(163)**	95
EUR/SGD – strengthened 3% (2013: 3%)	**182**	154
EUR/SGD – weakened 3% (2013: 3%)	**(182)**	(154)

For the financial year ended 31 December 2014

39. 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 2014 and 31 December 2013.

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.

As at 31 December 2014 and 2013, the Group had no loans and borrowings.

40. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the year ended 31 December 2014 were authorised for issue in accordance with a resolution of the Directors on 23 March 2015.

STATISTICS OF SHAREHOLDINGS

As at 16 March 2015

Number of Issued and Paid up shares (excluding treasury shares)	:	660,518,052
Class of Shares	:	Ordinary Shares
Voting Rights	:	1 vote per share
Treasury Shares	:	Nil

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 99	11	0.15	741	0.00
100 – 1,000	1,771	23.76	1,742,435	0.27
1,001 – 10,000	2,505	33.60	12,678,099	1.92
10,001 – 1,000,000	3,114	41.78	219,377,340	33.21
1,000,001 and above	53	0.71	426,719,437	64.60
TOTAL	**7,454**	**100.00**	**660,518,052**	**100.00**

TWENTY LARGEST SHAREHOLDERS

No.	Name	No. of Shares	%
1	Phillip Securities Pte Ltd	136,333,149	20.64
2	KS Investments Pte Ltd	41,233,750	6.24
3	Raffles Nominees (Pte) Limited	40,066,500	6.07
4	Citibank Nominees Singapore Pte Ltd	23,310,900	3.53
5	DBS Nominees (Private) Limited	20,641,100	3.12
6	OCBC Securities Private Limited	19,096,000	2.89
7	UOB Kay Hian Private Limited	16,052,800	2.43
8	Frederick Huang Tong Leong	10,333,000	1.56
9	DBSN Services Pte. Ltd.	7,797,200	1.18
10	Chan Soo Hin	7,565,000	1.15
11	Pang Cheow Jow	7,000,000	1.06
12	Maybank Kim Eng Securities Pte. Ltd.	6,568,600	0.99
13	HSBC (Singapore) Nominees Pte Ltd	5,301,800	0.80
14	United Overseas Bank Nominees (Private) Limited	4,626,350	0.70
15	OCBC Nominees Singapore Private Limited	4,619,000	0.70
16	Soh Suwe @ Soh Kim Swee	4,509,000	0.68
17	Citibank Consumer Nominees Pte Ltd	4,459,000	0.68
18	Heng Kheng Seng or Khiew Lun Heong	3,600,415	0.55
19	Lim Soon Teck	3,300,000	0.50
20	Tang See Chang @ Tan Say Chan or Tang Ming Teck Alex	3,067,000	0.46
	TOTAL	369,480,564	55.93

Percentage of Shareholdings held by the Public as at 16 March 2015

Based on the Register of Shareholders, and to the best knowledge of the Company, the percentage of shareholdings held in the hands of public is approximately 73.7%. Accordingly, the Company complies with Rule 723 of the Listing Manual.

STATISTICS OF SUBSTANTIAL SHAREHOLDERS

As at 16 March 2015

	Direct Interest		Deemed Interest	
Name of Substantial Shareholder	**No. of Shares**	**%**	**No. of Shares**	**%**
Jeffrey Hing Yih Peir (note 1)	–	–	130,000,649	19.68
KS Investments Pte Ltd	41,233,750	6.24	–	–
Keppel Offshore & Marine Ltd (note 2)	–	–	41,233,750	6.24
Keppel Corporation Limited (note 2)	–	–	41,233,750	6.24
Temasek Holdings (Pte) Ltd (note 2)	–	–	41,233,750	6.24

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

Shares held by Phillip Securities Pte Ltd for Mr. Jeffrey Hing Yih Peir	120,000,649
Shares held by Raffles Nominees Pte Ltd for Wong Bei Keen (spouse of Jeffrey Hing Yih Peir)	10,000,000
	130,000,649

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

LIST OF PROPERTIES

Details of the Group's properties as at 31 December 2014 are as follows:

Location	Purpose	Approx. Area (in m^2)	Tenure of Lease
Lot 2501C Mukim 7 Private Lot No. A15279 18 Tuas Basin Link Singapore 638784	Two four-storey office building with carparks, workshops and waterfront	11,192	30 years with effect from December 1995
Kawasan Industri Sekupang, Kampong Baru Kelurahan Tanjung Riau No 61 Sekupang Batam Indonesia	One single-storey office building and one two-storey office building with carparks, workshops and waterfront	43,991	30 years with effect from May 2000
Private Lot A3002969 L0655600 Tuas Basin Link	Workshop and waterfront	2,450	6 years with effect from 22 April 2014

NOTICE IS HEREBY GIVEN that the 2015 Annual General Meeting of Penguin International Limited (the "**Company**") will be held on Tuesday, 28 April 2015 at 11.00 a.m. at 18 Tuas Basin Link, Singapore 638784, to transact the following businesses:

ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and the Audited Financial Statements for the financial year ended 31 December 2014 together with the Auditor's Report thereon. **Resolution 1**

2. To declare and approve a first and final tax exempt (one-tier) dividend of 0.5 cent per ordinary share for the financial year ended 31 December 2014. **Resolution 2**

3. To declare and approve a special tax exempt (one-tier) dividend of 0.5 cent per ordinary share for the financial year ended 31 December 2014. **Resolution 3**

4. To approve the proposed Directors' fees of S$224,000 for the financial year ended 31 December 2014 (2013: S$224,000). **Resolution 4**

5. To re-elect Mr Ong Kian Min as Director following his retirement pursuant to Article 91 of the Company's Articles of Association. **Resolution 5**

   To record the retirement of Mr Chan Moon Kong and Mr Tay Kim Hock as Directors pursuant to Article 91 of the Company's Articles of Association at the conclusion of the Annual General Meeting.

   [See Explanatory Note (a)]

6. To re-appoint Ernst & Young LLP as Auditor for the ensuing year and to authorise the Directors to fix their remuneration. **Resolution 6**

SPECIAL BUSINESS

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

7. **Share Issue Mandate** **Resolution 7**

   (a) "That pursuant to Section 161 of the Companies Act, Cap. 50 and the listing rules of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), authority be and is hereby given to the Directors of the Company to:

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

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

   (iii) issue additional Instruments convertible into shares arising from adjustments made to the number of Instruments, at any time to such persons and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit and (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while this Resolution is in force, provided that the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 50% of the total number of issued shares (excluding treasury shares) in the capital of the Company at the time of passing of this Resolution, of which the aggregate number of shares issued other than on a pro rata basis does not exceed 20% of the total number of issued shares (excluding treasury shares) in the capital of the Company.

(b) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (a) above, the total number of issued shares (excluding treasury shares) shall be based on the total number of issued shares of the Company (excluding treasury shares) as at the time of the passing of this Resolution after adjusting for:

(i) new shares arising from the conversion or exercise of convertible securities which were issued pursuant to previous shareholders' approval, and which are outstanding as at the date of the passing of this Resolution;
(ii) new shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time this Resolution is passed; and
(iii) any subsequent bonus issue, consolidation or subdivision of the shares;

(c) (unless revoked or varied by the Company in General Meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier."

[See Explanatory note (b)]

8. **The Proposed Renewal of the General Mandate for Interested Person Transactions** **Resolution 8**

"That:

(1) approval be and is hereby given, for the purposes of Chapter 9 of the listing manual ("**Listing Manual**") of the **SGX-ST**, for the Company, its subsidiaries and associated companies that are entities at risk (as that term is used in Chapter 9), or any of them, to enter into any of the transactions falling within the types of interested person transactions described in paragraph 2.3 of the Letter to Shareholders dated 10 April 2015 with the Interested Persons described in paragraph 2.1.1 of the Letter to Shareholders dated 10 April 2015, provided that such transactions are in accordance with the review procedures for such interested person transactions;

(2) the approval given in paragraph (1) above (the "**IPT Mandate**") shall, unless revoked or varied by the Company in general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company;

(3) the Audit Committee of the Company be and is hereby authorised to take such action as it deems proper in respect of procedures and/or to modify or implement such procedures as may be necessary for this IPT Mandate (as defined in paragraph (2) above) to take into consideration any amendment to Chapter 9 of the Listing Manual which may be prescribed by SGX-ST from time to time, and such other applicable laws and rules; and

(4) the Directors and any of them be and are hereby authorised to complete and do all such acts and things (including execution all such documents as may be required) as they or he may consider expedient or necessary or in the interests of the Company to give effect to the transactions contemplated and/or authorised by the IPT Mandate and/or this Resolution."

[See Explanatory Note (c)]

9. **The Proposed Renewal of the Share Buy-back Mandate** **Resolution 9**

"That:

(a) for the purposes of Sections 76C and 76E of the Companies Act, Chapter 50 of Singapore (the "**Companies Act**"), the exercise by the Directors of the Company of all the powers of the Company to purchase or otherwise acquire issued ordinary shares in the capital of the Company (the "**Shares**") not exceeding in aggregate the Prescribed Limit (as hereafter defined), at such price(s) as may be determined by the Directors of the Company from time to time up to the Maximum Price (as hereafter defined), whether by way of:

(i) on-market purchase(s) (each an "**On-Market Share Buy-back**"), transacted on the SGX-ST; and/or

(ii) off-market purchase(s) (each an "**Off-Market Equal Access Share Buy-back**") effected otherwise than on the SGX-ST in accordance with any equal access scheme(s) as may be determined or formulated by the Directors of the Company as they consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act, and otherwise in accordance with all other laws and regulations and rules of the SGX-ST as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the "**Share Buy-back Mandate**");

(b) unless varied or revoked by the Company in general meeting, the authority conferred on the Directors of the Company pursuant to the Share Buy-back Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the passing of this Resolution and expiring on the earlier of:

(i) the date on which the next Annual General Meeting of the Company is held;

(ii) the date on which the Share Buy-backs are carried out to the full extent mandated; or

(iii) the date by which next Annual General Meeting of the Company is required by law to be held;

(c) In this Resolution:

"**Prescribed Limit**" means ten per cent (10%) of the total number of Shares issued by the Company as at the date of passing of this Resolution; and

"**Maximum Price**" in relation to a Share to be purchased or acquired, means an amount (excluding brokerage, commission, stamp duties, applicable goods and services tax, clearance fees and other related expenses) not exceeding:

(i) in the case of an On-Market Share Buy-back, 105% of the Average Closing Price of the Shares; and

(ii) in the case of an Off-Market Equal Access Share Buy-back pursuant to an equal access scheme, 110% of the Average Closing Price of the Shares;

Where:

"**Average Closing Price**" means the average of the last dealt prices of an ordinary Share for the five consecutive Market Days on which the Shares are transacted on the SGX-ST immediately preceding the date of the On-Market Share Buy-back by the Company or, as the case may be, the date of the making of the offer pursuant to the Off-Market Equal Access Buy-back, and deemed to be adjusted, in accordance with the Listing Manual, for any corporate action that occurs after the relevant five-day period;

"**Market Day**" means day on which the SGX-ST is open for trading in securities; and

"**Date of the making of the offer**" means the date on which the Company announces its intention to make an offer for an Off-Market Equal Access Share Buy-back, stating the purchase price which shall not be more than 110% of the Average Closing Price of the Shares (excluding related expenses of the purchase or acquisition) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Equal Access Share Buy-back.

(d) the Directors of the Company and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they and/or he may consider expedient or necessary to give effect to the transactions contemplated by this Resolution."

[See Explanatory Note (d)]

NOTICE IS HEREBY GIVEN that the Share Transfer Books and Register of Members of the Company will be closed on 15 May 2015 for the purpose of determining members' entitlements to the proposed first and final tax exempt (one-tier) dividend of 0.5 cent per ordinary share and special tax exempt (one-tier) dividend of 0.5 cent per ordinary share for the financial year ended 31 December 2014 (the "Proposed Dividends"). Duly completed transfers received by the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623, up to 5.00 p.m. on 14 May 2015 will be registered before members' entitlements to the Proposed Dividends are determined.

Members (being depositors) whose securities accounts with The Central Depository (Pte) Limited are credited with shares as at 5.00 p.m. on 14 May 2015 will rank for the Proposed Dividends.

The Proposed Dividends, if approved by members at the 2015 Annual General Meeting, will be paid on 28 May 2015.

By Order Of The Board

Chuang Sheue Ling/Lo Swee Oi
Company Secretaries
10 April 2015

Explanatory Notes:

(a) Mr. Ong Kian Min, if re-elected, will continue to serve as Lead Independent Director, Chairman of the Audit Committee and member of the Remuneration and Nominating Committees. He is considered an independent director for purposes of Rule 704(8) of the Listing Manual of the SGX-ST. For further information on Mr Ong, please refer to the "Board of Directors" section in the Annual Report 2014.

Mr Chan Moon Kong and Mr Tay Kim Hock, who are retiring by rotation at the Annual General Meeting pursuant to Article 91 of the Company's Articles of Association, have expressed their intention to retire at the Annual General Meeting and will not be seeking re-election.

Mr Chan, an Independent Director, will retire from the Board of Directors at the conclusion of the Annual General Meeting and will concurrently cease to be the Chairman of the Remuneration and member of the Audit and Nominating Committees.

Mr. Tay, an Independent Director, will retire from the Board of Directors at the conclusion of the Annual General Meeting and will concurrently cease to be a member of the Audit, Remuneration and Nominating Committees.

(b) The Ordinary Resolution No. 7, if passed, will empower the Directors from the date of this Annual General Meeting to allot and issue shares and convertible securities in the Company up to an amount not exceeding 50% of the total number of issued shares (excluding treasury shares) in the capital of the Company, of which up to 20% may be issued other than on a pro rata basis. This authority will, unless previously revoked or varied at a general meeting, expire at the next Annual General Meeting of the Company.

For the purpose of this resolution, the total number of issued shares (excluding treasury shares) is based on the Company's total number of issued shares (excluding treasury shares) at the time that this proposed Ordinary Resolution is passed after adjusting for new shares arising from the conversion or exercise of convertible securities, the exercise of share options or the vesting of share awards outstanding or subsisting at the time when this proposed Ordinary Resolution is passed and any subsequent bonus issue, consolidation or subdivision of shares.

(c) Mr. Jeffrey Hing Yih Peir and his associates will abstain from voting on the proposed Ordinary Resolution No. 8 relating to the renewal of the general IPT Mandate. For the purpose of the abstention, the term "associates" as it relates to Mr. Jeffrey Hing Yih Peir is defined as (i) his immediate family, (ii) the trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and (iii) any company in which he and his immediate family together (directly or indirectly) have an interest of 30% or more.

(d) The Ordinary Resolution No. 9, if passed, will empower the Directors to make purchases (whether by way of market purchases or off-market purchases on an equal access scheme) from time to time of up to 10% of the total number of issued ordinary shares (excluding treasury shares) in the capital of the Company, at the price up to but not exceeding the Maximum Price. The rationale for the Share Buy-back Mandate, the source of funds to be used for the Share Buy-back Mandate, the impact of the Share Buy-back Mandate on the Company's financial position, the implications arising as a result of the Share Buy-back Mandate under The Singapore Code on Take-overs and Mergers and on the listing of the Company's Shares on the SGX-ST are set out in the Letter to Shareholders dated 10 April 2015.

Notes:

1. A member entitled to attend and vote at this meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy need not be a member of the Company.
2. If a proxy is to be appointed, the form must be deposited at the registered office of the Company, at 18 Tuas Basin Link Singapore 638784 not less than 48 hours before the meeting.
3. The form of proxy must be signed by the appointor or his attorney duly authorised in writing.
4. In case of joint shareholders, all holders must sign the form of proxy.

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

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PROXY FORM
PENGUIN INTERNATIONAL LIMITED

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

Important
1. For investors who have used their CPF monies to buy Penguin International Limited's shares, this Annual Report is sent to them at the request of their CPF Agent Banks and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is FOR USE ONLY BY MEMBERS whose shares in Penguin International Limited are registered in their names. It is not valid for use by CPF investors and persons whose shares are not registered in their own names, and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF investors who wish to attend the Annual General Meeting as OBSERVERS must submit their requests through their respective Agent Banks so that their Agent Banks may register, in the required format with the Company Secretary, by the time frame specified. (Agent Banks: Please see Note 8 on required format) Any voting instructions must also be submitted to their Agent Banks within the time frame specified to enable them to vote on the CPF investor's behalf.

Personal Data Privacy
By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 10 April 2015.

I/We ______________________ (Name), ______________ (NRIC No./Passport No./Registration No)

of ____ (Address)

being a member/members of PENGUIN INTERNATIONAL LIMITED hereby appoint:-

Name	Address	NRIC/Passport Number	Proportion of Shareholdings (%)

and/or (delete as appropriate)

Name	Address	NRIC/Passport Number	Proportion of Shareholdings (%)

or failing the person, or either or both of the persons referred to above, the Chairman of the Meeting, as my/our proxy/proxies to attend and to vote for me/us on my/our behalf and, if necessary, to demand a poll, at the Annual General Meeting of the Company (the "Meeting") to be held on 28 April 2015 at 18 Tuas Basin Link, Singapore 638784 at 11.00 a.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the resolutions to be proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/their discretion, as he/they will on any other matter arising at the Meeting.

		To be used on a show of hands		To be used in the event of a Poll	
No.	Ordinary Resolutions	For	Against	Number of Votes For	Number of Votes Against
	ORDINARY BUSINESS				
1.	Adoption of Reports and Audited Financial Statements				
2.	Declaration and Approval of First and Final Dividend				
3.	Declaration and Approval of Special Dividend				
4.	Approval of Directors' Fees				
5.	Re-election of Mr Ong Kian Min as Director				
6.	Re-appointment of Ernst & Young LLP as Auditor				
	SPECIAL BUSINESS				
7.	Renewal of Share Issue Mandate				
8.	Renewal of General Mandate for Interested Person Transactions				
9.	Renewal of Share Buy Back Mandate				

If you wish to exercise all your votes For or Against, please tick with ' √ '. Alternatively, please indicate the number of votes For or Against each resolution.

Dated this __________ day of ______________ 2015

Total No. of Shares	No. of Shares
In CDP Register	
In Register of Members	

____
Signature(s) of Member(s)/Common Seal

IMPORTANT: PLEASE READ NOTES OVERLEAF

NOTES

1. A member entitled to attend and vote at the Meeting is entitled to appoint one or two proxies to attend and vote in his stead. A proxy need not be a member of the Company.

2. Where a member appoints two proxies, the appointments shall be invalid unless he specifies the proportion of his holding (expressed as a percentage of the whole) to be represented by each proxy.

3. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the Meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy, to the Meeting.

4. A member should insert the total number of shares held. If the member has shares entered against his name in the Depository Register (as defined in Section 130A of the Companies Act, Cap. 50 of Singapore), he should insert that number of shares. If the member has shares registered in his name in the Register of Members of the Company, he should insert that number of shares. If the member has shares entered against his name in the Depository Register and registered in his name in the Register of Members, he should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all shares held by the member.

5. The instrument appointing a proxy or proxies must be deposited at the Company's registered office at 18 Tuas Basin Link, Singapore 638784 not less than 48 hours before the time set for the Meeting.

6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.

7. Where an instrument appointing a proxy is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.

8. Agent Banks acting on the request of CPF Investors who wish to attend the Meeting as observers are requested to submit in writing, a list of details of the Investors' names, NRIC/Passport numbers, addresses and numbers of shares held. The list, signed by an authorised signatory of the Agent Bank, should reach the Company Secretary, at the registered office of the Company not later than 48 hours before the time appointed for the Meeting.

GENERAL:

The Company shall be entitled to reject a Proxy Form which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the Proxy Form. In addition, in the case of shares entered in the Depository Register, the Company may reject a Proxy Form if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

SPECIAL NOTE:

Interested Persons in the class described in paragraph 2.1.1 of the Letter to Shareholders dated 10 April 2015 who shall accept nominations as proxies or otherwise may not vote at the AGM in respect of the ordinary resolution unless the shareholders appointing them as proxies give specific instructions in the relevant proxy forms in the manner in which they wish their votes to be cast for the ordinary resolution.

KEEP
CALM
AND
LOVE
PENGUINS