

Issuer: Penguin International Limited

Security: Penguin International Limited

Meeting details:

Date: 24 April 2018

Time: 10.30 a.m.

Venue: 18 Tuas Basin Link, Singapore 638784

Company Description

Penguin International Limited provides integrated marine and offshore services worldwide. It specializes in the design, construction, repair, and operation of high-speed aluminium commercial, security, and fire fighting vessels. The company operates through Ferry and Charter Services, and Shipbuilding and Repair segments. The Ferry and Charter Services segment provides ferry services and chartering of motor launches. The Shipbuilding and Repair segment builds high speed aluminium commercial vessels and supplies related repairs and maintenance services. The company also owns and operates shipyards in Singapore and Batam, Indonesia; and manages and operates landing craft. In addition, it offers project management and ship management services. Penguin International Limited was founded in 1972 and is based in Singapore.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=BTM)

1. Would the board/management help shareholders better understand the operations of the group? Specifically:

- (i) **Build-for-stock programme:** In 2017, the stock of newbuild crewboat was sold down and management is confident of clearing out the existing stock of Flex vessels in 1Q2018. At the same time, the group is restarting its build-for-stock programme in the Batam shipyard. **Can the board help shareholders understand the operational and economic benefits arising from its build-for-stock programme? Please also quantify the financial benefits of the programme over an entire business cycle. What was the average time taken for its build-for-stock vessels to be leased/sold? If not for the build-for-stock programme, what is the lead time required for a Flex-42X and for a Flex Fighter?**
- (ii) **Chopper swappers:** The chairman has stated that to get offshore personnel making a switch from helicopters to crew boats would require a comprehensive change management programme but nevertheless, this “chopper swapper” opportunity could be a key growth driver for the group. **How is the group going to play the role of the “agent of change” to go after this growth opportunity? Has management strengthened its team with marketing and business development resources to go after this opportunity?**
- (iii) **Non-traditional build-to-order projects:** **What are the key markets that the group is targeting for its non-traditional build-to-order services?**

2. As announced by the company on 8 November 2017, the company made a combined investment with the executive chairman of \$10 million into Marco Polo Marine Ltd (MPM) as part of a refinancing and debt restructuring exercise of MPM and its subsidiaries. The \$8 million investment by the group was for 285,714,286 MPM Shares (or a 8.15% stake), together with the right to nominate a non-executive non-independent director to the board of MPM.

In the Joint letter from the chairman and the managing director, it was said that the MPM investment was based strictly on value and an understanding of the assets.

- (i) **Can the board confirm the level of due diligence it had carried out prior to the group’s investment in MPM?**
- (ii) **What is the group’s cost of capital? What are the expected returns from the MPM investment?**
- (iii) **What is the expected time for the group to realise the investment in MPM and how is the group going to exit this investment given that it has a 8.15% stake in MPM?**
- (iv) **Can management let shareholders know the group’s capital allocation policy?**

3. In the Corporate Governance Report, it was disclosed that “as part of ongoing good corporate governance initiatives, the AC was of the view that it would be timely to consider a change of auditors for the Company for the financial year ending 31 December 2018”.

- (i) **Can the audit committee (AC) elaborate further on the scope of its ongoing good corporate governance initiatives?**
- (ii) **How did the AC determine the shortlist of accounting firms to invite to submit their proposals as the potential replacement for Ernst & Young LLP, the retiring auditor?**
- (iii) **Can the AC disclose the list of invited firms?**
- (iv) **How did the AC assess the firms that submitted their proposals? Was there a robust and proper framework to assess them?**

Would the board also consider the re-designation of long tenured independent directors to non-executive non-independent director as part of the company's ongoing good corporate governance initiatives?