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UEN No: S99SS0111B

GST Reg No: M90367530Y

**Issuer:** Penguin International Limited

**Security:** Penguin International Limited

**Meeting details:**

Date: 25 April 2019

Time: 10.30 a.m.

Venue: 18 Tuas Basin Link, Singapore 638784

**Company Description**

Penguin International Limited is a Singapore-based marine and offshore services company. The Company's segments include ferry and charter services segment, which provides ferry services and chartering of motor launches, and shipbuilding and repair segment, which acts as a builder of aluminum commercial vessels and supplier of related repairs and maintenance services. Its principal activity is to act as owners, operators of passenger ferries and launches, and investment holding. It is engaged in the design, construction, repair and operation of aluminum commercial vessels. The Company, through its subsidiaries, owns and operates crewboats, fast supply intervention vessels (FSIV) and passenger ferries, as well as shipyards in Singapore and Batam, Indonesia. Its Flex-25 is a compact crewboat; the Flex-40 series is capable of lifting over 0.5 tons, and the Flex-50 can carry over 200 tons of deck cargo. The Company's services include shipyard services and offshore charters.

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

1. As noted in the joint letter from the chairman and managing director, the group is benefitting from its earlier decision to lay the foundation for a sustainable future underpinned by strong multiple revenue streams in shipbuilding and chartering, driven by world-class employees who are guided by world-class standards to serve world-class clients the likes of SCDF and ExxonMobil.

The group reported revenue of growth of 34.5% to \$107.3 million and a net profit after tax of \$13.6 million (FY2017: \$2.3 million).

The group has built up a diversified customer base from Australia, Taiwan, Nigeria and Southeast Asia for its shipbuilding and chartering segments and has even started building a fifth workshop in the Batam shipyard.

- (i) Shipbuilding: Would management consider disclosing the confirmed order book of the group? What is the capital expenditure for the workshop in Batam? When will it be completed? Can management also disclose the utilisation rate of its shipyard?**
- (ii) Fleet renewal: What is the average age of its own fleet? Is the sale of its operating fleet carried out at a regular interval or is it more opportunistic in nature?**
- (iii) Charter revenue: The group's charter revenue increased by 17.6% to \$24.7 million. What is the current fleet size of its Flex-42X? What is the typical contract length? In the joint statement by the chairman and managing director, it was disclosed that the group is "finally seeing meaningful improvements in overall utilisation and charter rates" (page 12). Can management provide shareholders with more clarity on the utilisation rate?**
- (iv) Business model: For the benefit of new and long standing shareholders, can the board clearly articulate its business model? How does the issue of sustainability manifest itself as an integral part of the group's strategy?**

2. The group made an \$8 million "non-traditional" investment into Marco Polo Marine Limited for a 8.12% stake. The investment was completed on 25 January 2018 and the group has carried the investment at fair value through other comprehensive income (FVOCI).

In the financial year, the group recognised a drop in FVOCI of \$(2.443) million,

The executive chairman sits on the board of Marco Polo Marine Limited as a non-executive director with effect from 1 March 2018.

- (i) With more than a year of investment in Marco Polo Marine, can management help shareholders understand if its projections are still largely in line?**
- (ii) What are the synergies, if any, between the group and its investee?**

- (iii) **Can management elaborate further on the operational and financial challenges of Marco Polo? What would be the key priorities for the investee in the next 12-18 months?**
- (iv) **Is the group still evaluating opportunistic investments? Would shareholders be better served if the company returns some of the cash hoard to shareholders if it cannot meaningfully deploy the cash into the core business?** Shareholders recognise that the board has declared a higher dividend of 1.25 cents per share for FY2018.

3. Would the board also provide shareholders with better clarity on the professional/auditor fees? Specifically:

- (i) **Professional fees:** In Note 6 (page 73 – Administrative expenses), the group recognised \$829,000 in professional fees. This is a significant increase from the low base of \$270,000 in FY2017 and \$168,000 in FY2016. **Would management describe in greater detail the nature of the “professional fees”?**
- (ii) **Audit fees:** The company paid its auditors \$110,000 in audit fees in FY2018. There was a change in the external auditor from Ernst & Young LLP to PKF-CAP LLP. The fees paid to the former auditor in the last financial year was \$234,000 (and a further \$97,000 to the former auditor for non-audit services). **Can the audit committee confirm that the scope of the audit is largely the same? Has the audit committee evaluated the auditor based on a structured framework such as the Audit Quality Indicators (AQIs) Disclosure Framework that was introduced by the Accounting and Corporate Regulatory Authority of Singapore (ACRA)?**

A copy of the questions for the Annual Report for the financial year ended 31 December 2017 could be found here:

<https://sias.org.sg/qa-on-annual-reports/?company=Penguin%20International%20Ltd&cid=6433,4553>

The company's response could be found here: -----