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Issuer: Penguin International Limited

Stock code: BTM

Meeting details:

Date: 29 May 2020

Time: 10.00 a.m.

Due to the current COVID-19 pandemic, SIAS encourage shareholders to participate at AGMs via other means and not to attend any AGM physically. Where the AGM is webcast, they can stay on top of their investments by watching the webcast and submitting their question to the company in advance. Senior citizens should avoid attending AGMs altogether and stay home.

Q1. On pages 12 to 14 of the annual report, shareholders can read the Joint letter from the chairman and manager director which offers insights to how management views the world and the philosophies that guide their actions.

In thinking and behaving like an underdog at all times, the group is using that to starve off complacency and arrogance which are the greatest enemies of successful companies. It is only in this year's annual report that company provides shareholders with more information because it finds itself "able to do so, now that our products, markets and clients are more diverse than before. (page 13)"

- (i) **While shareholders greatly appreciate the candour and finally getting the nuts and bolts of the business, is this in fact an early sign that the management is starting to feel complacent?**

Management has stated that it is circumspect in making public disclosures and therefore many operational and strategic matters are kept as "trade secret". However, the industry is fairly close-knit and well-connected. For example, the size of the yard can be obtained from public sources and anybody in the industry can make educated estimates on the production capacity. Industry insiders would probably be aware that the group is interested in the waterfront property at Tuas Road before any announcement is made by the company.

It is the shareholders who depend on management to help them understand the intricacies of the business, the opportunities and its risks.

- (ii) **Were there instances where the group's agility and competitiveness have been impaired because of its listing status?**
- (iii) **Apart than the "costs" associated with public disclosure required of a listed company, would management help shareholders understand how its listing status has helped the group?**

In the letter, it was also mentioned that "a good place is where we are starting to meet world-class standards, recruit world-class employees and serve world-class clients".

- (iv) **What would be the "world-class standards" that management is referring to?**
- (v) Separately, the group is invested \$8 million for a 8.12% stake in Marco Polo Marine Limited. **How much of the underdog spirit can management instill in the investee?**

Q2. Apart from the greatly improved financial figures, the group achieved many notable firsts in 2019. Flex-42X Executive Fast Crew Boat became the first aluminium boat ever to win Offshore Support Journal's coveted "Support Vessel of the Year" award.

The group delivered seven 20-metre police patrol boats to the Australian state of New South Wales ("NSW") - another significant achievement as it was the first time the local government awarded a shipbuilding contract outside of Australia. This win was even more meaningful as Australia is home to several world-class aluminium shipbuilders.

- (i) **To help new (and perhaps some long-standing) shareholders, what are the pros and cons of aluminum vessels (versus steel vessels)?**
- (ii) **What was the main differentiating factor that won the group the contract from the NSW Police?**

The group also made the first delivery of a design and build 26-metre, twin-screw catamaran offshore windfarm Crew Transfer Vessel (CTV) for a Taiwanese operator, and followed up with a state-of-the-art prototype 35-metre Service Accommodation and Transfer Vessel (SATV).

- (iii) **Can management help shareholders understand if the group owns any intellectual property to the designs?**

Q3. As disclosed in the director's profile, Mr Ong Kian Min was first appointed to the board in September 1997. He is the chairman of the audit and risk committee and a member of the remuneration and nominating committees. Mr Ong was also appointed the lead independent director on 3 May 2013.

Mr Ong has been on the board since the company was listed more than 22 years ago in 1997. After due and careful rigorous review, the board (with Mr Ong abstaining from the review), has determined that Mr. Ong is to be considered independent.

In August 2018, the Monetary Authority of Singapore issued a revised Code of Corporate Governance ("2018 CG Code") and the Singapore Exchange made amendments to its Listing Rules which came into effect on 1 January 2019, except for the rules on the 9-year tenure for independent directors and the requirement for independent directors to comprise one-third of the board which will come into effect on 1 January 2022.

Under the revised Listing Rules, the term of an independent director will be limited to nine years after which the long tenured directors will be subject to a two-tier vote by shareholders.

- (i) **Has the company evaluated the impact of the 2018 CG Code and the amendments to the Listing Rules on the board?**

The company appointed Mr. Paul Tan Poh Lee and Mr. Leow Ban Tat to the board in 2017 and 2015 respectively. The nominating committee has stated that suitable candidates for board membership are identified through, inter alia, recommendations from current board members, searches conducted by external search consultants or the SID and other referrals.

- (ii) **Would the NC be leveraging a professional search firm to enable the board to cast its net wider and further improve the diversity and possibly the quality of the candidate pool?**

^Amid the global COVID-19 outbreak, issuers who choose to proceed with the AGM before 30 April 2020 must provide opportunities for shareholders to ask questions. Shareholders are encouraged to read the annual report and submit any questions they might have to the companies in advance. Issuers would then publicly address the questions at the general meeting via the issuer's website, through "live" webcast and on SGXNet.

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

Can't attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on [SIAS website](http://www.sias.org.sg)

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[^] Joint Statement by Accounting and Corporate Regulatory Authority, Monetary Authority of Singapore and Singapore Exchange Regulation dated 31 Mar 2020 (<https://www.sgx.com/media-centre/20200331-acra-mas-and-sgx-regco-update-guidance-general-meetings>)