



PENGUIN INTERNATIONAL LIMITED

(Company Registration Number: 197600165Z)

RESPONSES TO SUBSTANTIAL AND RELEVANT QUESTIONS RECEIVED FOR ANNUAL GENERAL MEETING ON 29 MAY 2020

The Company has received overlapping questions and will not be providing responses to every question received. We have consolidated the substantial and relevant questions and organised them under specific themes as follows:

COVID-19 IMPACT ON OUR OPERATIONS AND BUSINESS.

How is Penguin affected and how are we responding to it? How are our foreign workers affected?

In Singapore, Penguin is designated as an essential services company. Our shipyard in Tuas has remained open and operational throughout the CB period. Our priority right now is to provide essential ship management and ship repair services to government entities. At this moment, less than half of our foreign workers are allowed to work. To make up for the reduced headcount, our Singaporean, PR and S-pass colleagues have all chipped in to help. That includes our supervisors and managers.

Having another shipyard in Batam helps to mitigate the manpower curbs in Singapore. To date, there has been no movement restrictions in Batam. Our shipyard over there is operating at full strength, with safe distancing, screening, segregation and other measures in place, just like our Singapore shipyard.

Overall, our business is affected by Covid-19. Demand for new vessels is down. Charter rates for our crewboats have been reduced. The ferry market is our worst affected segment. We certainly feel the headwinds.

OIL PRICE AND GLOBAL ECONOMIC IMPACT ON CHARTERING AND SHIPBUILDING.

What are our plans? Where is our product and market diversification?

Generally, the oil crisis affects our business more than Covid-19. While demand is still there for crewboats and security boats, charter rates for these vessels are under pressure because oil companies are slashing costs across the board. Against this trend, offshore wind is still growing. We are making modest progress in this segment, having delivered two new windfarm vessels to a Taiwanese operator.

In these times, having a strong balance sheet matters most. Despite the headwinds, we are still able to focus on our clients and our products. We continue to service our clients well and upgrade our products regularly. To conserve cash, we have slowed down our fleet expansion and stock vessel construction programmes.

Over the last two years, we have broadened our product range and expanded into new markets. Today, we build windfarm vessels and patrol boats, in addition to crewboats and security boats. We now have owners from Australia and Taiwan, in addition to Nigeria and Singapore.

NIGERIA CONCENTRATION RISK:

How has Nigeria been affected by COVID and oil? How sustainable is this market?

Nigeria is badly affected by the oil crisis and to a lesser extent by Covid-19. It is still a key market for Penguin. In the short term, demand for our Flex Fighter security boat is affected. However, oil is still Nigeria's biggest industry and piracy in the Gulf of Guinea is still rising. These two factors underpin demand for our Flex Fighter.

STOCK VESSEL PROGRAMME:

How many vessels have been sold? How many contracts have been terminated?

To-date this year, none of our clients have terminated any contracts for our stock vessels or our build-to-order vessels or our vessels on charter. The commitments are still there. More than half of our stock vessels have been sold, with deposits received.

NEW DESIGNS, NEW CLIENTS, NEW INITIATIVES?

Penguin is constantly exploring new designs, new markets and new applications. The most recent example is our Service Accommodation and Transfer Vessel, which is the world's first aluminium accommodation and crew change boat for the offshore wind industry. Even with our existing vessel designs, we are looking at new features big and small to set them apart from the competition.

We are leveraging on our integrated designer-builder-owner-operator business model to expand into new frontiers.

DIVIDEND:

The Board should be more generous.

When determining Penguin's dividend payout, the Board takes into consideration the Group's financial performance, future cash requirements, CAPEX for our shipyards and fleet, and global economic conditions. At Penguin, we believe in paying out a fair dividend, while maintaining a conservative buffer against crises and prudently reinvesting our retained earnings in our business.

FINANCIAL STATEMENTS:

- i) Please explain the rise for the trade receivables from 2018 to 2019 and is there any risk of default?**
- ii) What is Penguin's foreign exchange exposure.**

The increase in trade receivables due mainly to an increased in our fleet operation. We do not foresee any risk of default and most of these outstanding have been paid up as of now.

FY2019, Penguin's foreign exchange exposure is in US Dollar and Australian Dollar.

TAX AND DIVIDEND TO HOLDING COMPANY:

- i) What causes Penguin's low tax amount in 2019?**
- ii) Is the S\$6 million dividend income shown in the chartering segment a dividend paid by the chartering subsidiaries to Penguin International Limited?**

The low tax in FY2019 was due mainly to a tax refund for prior years' tax assessments arising from R&D tax incentives.

No, the S\$6 million dividend income is paid by our wholly-owned shipbuilding subsidiaries to Penguin International Limited.

HUMAN RESOURCE:

- i) How many employees are employed by Penguin?**
- ii) What is the percentage of foreign workers employed by Penguin in Singapore?**

Penguin employs a total of 595 employees in FY2019. This comprises 343 employees in Singapore, 100 employees in Indonesia and 152 employees in Malaysia.

In Singapore, 50% of our employees are foreigner workers.