



PENGUIN INTERNATIONAL LIMITED

(Company Registration Number: 197600165Z)

**RESPONSE TO SGX QUERIES ON THE UNAUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

The Board of Directors of Penguin International Limited (the “**Company**”, and together with its subsidiaries, the **Group**”) refers to the queries raised by the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) on 4 March 2021 in relation to the Company’s announcement on its Unaudited Financial Statements for the Year Ended 31 December 2020 dated 14 February 2021 (“FY2020 Financial Statements”) and would like to set out its responses to the queries as follows:

SGX-ST’s Query 1:

With reference to the unaudited financial statements for the year ended 31 December 2020, please provide the breakdown for the Group’s other receivables and deposits (current) amount of S\$12,692,000 and S\$14,469,000 as at 31 December 2020 and 31 December 2019 respectively. Please also disclose the nature of non-current other receivables of S\$2,345,000 as at 31 December 2020.

The Company’s response:

The breakdown of the group’s other receivables and deposits (current) for the year ended 31 December 2020 and 31 December 2019 are as follows:

	FY2020 \$'000	FY2019 \$'000
Other receivables	1,430	994
Other receivables for fleet vessels sold under deferred payment arrangements ¹	3,600	4,131
Advance payment to suppliers	6,232	8,051
Deposits paid	524	598
Insurance claims	906	695
	<u>12,692</u>	<u>14,469</u>

Note 1:

Out of these amounts, \$785,000 is secured against fleet vessel sold, bear interests ranging from 4.35% to 6.30% and are repayable through monthly instalments. The arrangements will end between 2021 and 2023. The amounts due within the next 12 months are recorded under “current assets – other receivables for fleet vessels sold under deferred payment arrangements”.

The non-current other receivables of S\$2,345,000 pertain to the sale of vessel under deferred payment arrangements.

SGX-ST's Query 2:

It is disclosed on page 17 of the unaudited financial statements that, the decrease in trade receivables was due mainly to differences in timing of collections during the period. Please provide further elaboration on the factors which contributed to the Group's decrease in trade receivables from S\$13,139,000 as at 31 December 2019 to S\$10,120,000 as at 31 December 2020.

The Company's response:

The decrease in trade receivables was due mainly to an improvement in collection in FY2020.

SGX-ST's Query 3:

Please provide a breakdown for the Group's other payables and accruals (current) amount of S\$22,309,000 and S\$37,543,000 as at 31 December 2020 and 31 December 2019 respectively.

The Company's response:

The breakdown for the Group's other payables and accruals (current) for the year ended 31 December 2020 and 31 December 2019 are as follows:

	FY2020 \$'000	FY2019 \$'000
Accrued operating expenses	13,855	20,902
Advance payments and deposits received	7,243	14,557
Advance billings	0	3
Other payables	1,211	2,081
	<u>22,309</u>	<u>37,543</u>

SGX-ST's Query 4:

Please provide an explanation for (i) the Group's increase in trade payables from S\$16,038,000 as at 31 December 2019 to S\$18,767,000 as at 31 December 2020; and (ii) the Group's decrease in other payables and accruals (current) from S\$37,543,000 as at 31 December 2019 to S\$22,309,000 as at 31 December 2020.

The Company's response:

The increase in trade payables was due mainly to the timing of billing from vendors and the timing of payment to vendors. There is no change in the nature of the Group's business.

The decrease in other payables and accruals was due mainly to a decrease in accrued operating expenses as a result of the timing of billing from vendors and a decrease in advance payments and deposits received as a result of fewer build-for-stock projects contracted towards the end of 2020. There is no change in the nature of the Group's business.

SGX-ST's Query 5:

Please provide an explanation for the Group's increase in property, plant and equipment from S\$82,174,000 as at 31 December 2019 to S\$100,451,000 as at 31 December 2020.

The Company's response:

The Group's increase in property, plant and equipment was due mainly to the addition of new vessels to the fleet, investment in a new shipyard in Tuas and upgrading of shipbuilding facilities in Batam.

SGX-ST's Query 6:

It is stated on page 19 of the Company's results announcement: - "No dividend has been recommended."

Paragraph 12 of Appendix 7.2 of the SGX-ST Listing Manual on Financial Statements and Dividend Announcement states: - "If no dividend has been declared (recommended), a statement to that effect and the reason(s) for the decision." As such, please provide the reason(s) why no dividend has been declared/recommended for the current period reported on.

The Company's response:

In view of persistent Covid-related headwinds in the Group's key market segments - primarily crewboats and passenger ferries – as well as increased capital expenditures required for yard development and fleet expansion, with limited financing options, no dividend was recommended.

SGX-ST's Query 7:

Please explain why interest income amounted to only S\$409,000 during the financial period ended 31 Dec 2020 when the Company has significant cash and bank balances amounting to S\$35,775,000.

The Company's response:

The breakdown for the interest income for the year ended 31 December 2020 as follows:

	FY2020 \$'000
Interest income from short-term deposits and bank balances	147
Interest income from customers under deferred payment arrangement	262
	<hr/>
	409

The interest income derived from cash placed with reputable banks yielded low interest rates ranging between 0.01% to 1.51% per annum and not all bank accounts were interest-bearing.

The interest income from customers under deferred payment arrangements had interest rates ranging from 4.35% to 6.3% per annum.

SGX-ST's Query 8:

It is noted that the Company has a net cash used in operating activities of S\$5,359,000 and a net profit of S\$13,207,000 for the financial year ended 31 December 2020. Please explain why the Company is unable to generate net cash inflow from its operating activities, despite the Company's net profit position for the financial year.

The Company's response:

Despite a net profit of S\$13,207,000 for the financial year ended 31 December 2020, a net cash of S\$5,359,000 million was used in shipbuilding activities, mainly arising from the purchase of inventories amounting to S\$15.9 million.

BY ORDER OF THE BOARD

James Tham Tuck Choong
Managing Director
8 March 2021