Issuer: JASON MARINE GROUP LIMITED
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Meeting details:
Date: 26 July 2016
Time: 11:30 AM
Venue: 194 Pandan Loop, #05-27 Pantech Business Hub, Singapore 128383

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Questions on strategy, financials and operations

1. In the financial review (page 8 of the annual report), it was noted revenue dropped by about a third to $37 million. Also, the gross profit margin for sales of goods decreased from 28.2% to 19.2%. For rendering of services, the gross profit margin dropped from 21.8% to 18.8%. With weak demand expected to continue as capital expenditure by clients is cut or delayed, **what is management's plan to overcome the triple whammy of low revenue, compressed margins and reduced pipeline *[refer to pg 4, Chairman's report]*to get back to profitability? As a niche player in a highly specialized industry, what are the options available to the group? How feasible is it for the group to leverage its expertise to serve clients in other industries?**

2. Since the group's listing in 2010, segmental results for both the sale of goods and rendering of services had never been negative for the full year. Looking at the pre-IPO period back to 2007, this is the first time the group is reporting a loss in the last ten years. More worrying, net cash has fallen 37% over the year to $14m. **Can management help shareholders understand how severe this downturn has been in the past year? In particular:**

> **(a) What caused a loss of $3.1 million in the sale of goods segment when the external revenue was just $22.9 million in 2016 (page 64)?**
> **(b) Similarly, external revenue was $8.0 million for rendering of services and the segmental losses were $1.0 million. Apart from higher allowance for impairment of $515k what were the other factors?**
> **(c) Also, "Other Expenses" have increased significantly from $440k to $2,441k despite the sharp decline in revenue. What makes up "third party non-trade receivables" where $505k out of $589k has been provided for?**

The group has been very prudent and well managed and these losses are not typical based on the group's good track record.

3. The group's business, as a systems integrator and services provider, is not capital intensive in nature. Capital expenditure averaged just over than $400k/year for the past 6 years. Instead, capital has been deployed in strategic partnerships in the form of joint ventures, associated or subsidiary companies (or even as available-for-sale financial assets) such as Baze Marine & Offshore, eMarine
(formerly known as e-MLX and Hyundai e-Marine), iPromar, Koden, Rockson Automation and now Sense Infosys. **What is the capital allocation/investment strategy and what is the criteria for making investments? How can the group strategise better to optimise the investment returns? In particular, what are the synergies or opportunities expected from Sense Infosys?**

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