Securities Investors Association (Singapore)
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Email: admin@sias.org.sg www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y

Issuer: Jason Marine Group Limited

Security: Jason Marine Group Limited

Meeting details:
Date: 26 July 2018
Time: 11.00 a.m.
Venue: 194 Pandan Loop, #05-27 Pantech Business Hub, Singapore 128383

Company Description

Jason Marine Group Limited, an investment holding company, provides marine electronics systems integration and support services for the marine and offshore oil and gas industries in Singapore and internationally. The company operates in Sale of Goods, Rendering of Services, and Airtime Revenue segments. It provides ship health management systems; VSAT antennas; Fleetbroadband, a maritime network; BGAN, which enables the customer to access e-mail, corporate networks, and the Internet; Inmarsat IsatPhonePro products; iridium services; and global maritime distress and safety systems. The company also offers PAGA, a marine small public address system; PABX that allows a single access number to offer multiple lines to outside callers; batteryless telephone systems; talkback systems; iTrust bandwidth optimizers; power line communication products; and UHF network systems. In addition, it provides ECDIS, a computer based navigation information system; marine radars; autopilot, a system that maintains a vessel on a predetermined course; Speedlog, which measures the speed of a vessel through water; global positioning systems; BNWAS, an automatic alarm system; EchoSounder, a sound-detecting instrument; AIS, an electronic transponder; voyage data recorders; and gyrocompass. Further, the company offers display and computer products; fuel, weather, and vessel tracking monitoring systems; OPUS and fleet management software products; CCTV systems; entertainment systems; helideck monitoring systems; collision avoidance radar systems; and microwave systems, as well as fleet management tracking, marine asset tracking, DSAS, LRIT performance test, local area network, and non-directional beacon products. Jason Marine Group Limited was founded in 1976 and is headquartered in Singapore.
(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=5PF)

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1. As noted in the Financial & operations review, the group's revenue slipped from $33.2 million in 2017 to $31.6 million in 2018 as new investments and maintenance projects in the global marine and offshore oil & gas industry are still slow.

(i) **Oil & Gas - Systems integration:** The segment announced its largest contract to-date: to integrate a wide range of silo systems on board a 220-metre semi-submersible crane vessel into one unified secured network. **What is the period of the project? Did the company announce the value of the project? If not, would management consider updating shareholders on the details of the contract won?**

(ii) **Airtime sales:** Revenue from the segment decreased from $4.4 million in 2017 to $1.9 million in 2018. In Note 27 (pages 70 to 71 – Segment information), the segment loss decreased from $(410,000) to $(34,000) as the segment continues to recognise impairment loss on doubtful third parties. **How does management assess the creditworthiness of its airtime customers? What are the reason(s) for the significant drop in airtime revenue?** In FY16, the revenue from airtime was as high as $6.3 million. **How strategic is the sale of airtime to the group's suite of products and services?**

2. Would the board/management provide shareholders with better clarity on its investments and available-for-sale financial assets? Specifically:

(i) **e-Marine Global Inc:** The group holds a 6.0% interest in e-Marine Global Inc. which is listed on the OTC Market in United States of America. The lock-up period expired in January 2018. As at 31 March 2018, the carrying amount of the investment in e-Marine Global was $23,258,000 based on the price of e-Marine Global's shares as quoted on the OTC Market as at that date. Based on management's assessment, the quoted price on the OTC Market is representative of the fair value of e-Marine Global's shares as at 31 March 2018. **Can the audit committee explain how it reviewed and supported management's assessment that the quoted price on the OTC Market is representative of the fair value of the shares held? What is the trading volume of e-Marine Global on the OTC Market? Is there sufficient liquidity in the market to absorb a 6% block? What are management's long term plans for its 6% shareholding in e-Marine Global?**

(ii) **Sense Infosys:** The convertible preference shares subscription agreement included certain pre-specified consolidated net profit target for Sense Infosys for the financial year ended 31 March 2019. As disclosed in Note 7 (page 55 – Investments in associates), the total comprehensive loss of Sense Infosys increased from $(908,000) in 2017 to $(2,444,000) in 2018 even as revenue doubled to $1.8 million. **What is the level of influence and oversight on the operations and strategic direction of Sense Infosys? What is management's assessment of its 24.4% associate? What are the key milestones that Sense Infosys have to achieve? How much more, if any, would the group be investing in Sense Infosys to support its growth?** As disclosed in Note 30 (page 79 – Events subsequent to the reporting date), the group granted an

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additional convertible loan of $375,000 to Sense Infosys Pte. Ltd. for working capital purposes in April 2018.

3. On 27 June **2018**, the company announced that there are discrepancies between the unaudited full year financial results announcement and the audited financial statements for the **financial year ended 31 March 2018** following the finalisation of audit.

For **2018**, the reasons for the variances/reclassifications included:
- Overstatement of revaluation of unrealised loss
- Overstatement of allowance
- Reclassification to trade and other receivables
- Reclassification of fair value adjustment reserve to retained earnings
- Reclassification of trade and other payables
- Reclassification from unrealised exchange loss

On 27 June **2017**, for the **financial year ended 31 March 2017**, the company also made a similar disclosure that there are discrepancies between the unaudited full year financial results announcement and the audited financial statements for the **financial year ended 31 March 2017** following the finalisation of audit.

For **2017**, the reasons for the variances/reclassifications included:
- Reclassification of loss from lease-to-own assets to working capital changes
- Reclassification of plant and equipment written off to investing activities
- Reclassification of write back of trade payables to working capital changes
- Reclassification of interest received to working capital changes
- Reclassification of writeback of trade payables and purchase of plant and equipment
- Reclassification of acquisition of availablefor-sale financial asset to working capital changes

The audit committee (AC) comprises Mrs Eileen Tay-Tan Bee Kiew (as chair), Mr. Sin Hang Boon @ Sin Han Bun and Mr. Wong Hin Sun Eugene.

(i) As the directors have responsibilities to oversee the group's financial reporting process, can the directors, especially the directors in the AC, help shareholders understand their individual and collective efforts in the preparation of the group's financial statements to give a true and fair view in accordance with the provisions of the Act and FRSs?

(ii) Has the AC evaluated if the internal financial reporting/finance team is sufficiently resourced with experienced and qualified staff to ensure the integrity of the financial statements?

(iii) What changes has the AC made to the group's systems and processes to improve the quality and accuracy of the financial statements?

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A copy of the questions for the Annual Report for the financial year ended 31 March 2016 could be found here:

https://sias.org.sg/index.php?option=com_qaannualreports&view=qareports&filter_company=6

The company's response could be found here:

https://sias.org.sg/media/qareport/company_responce/1476169026_JMG_SIAS_Responses_Annual_Report_FY2016.pdf