

JASON MARINE GROUP LIMITED
(Company Registration No.: 200716601W)
(Incorporated in the Republic of Singapore)

**RESPONSES TO QUESTIONS FROM
SECURITIES INVESTORS ASSOCIATION (SINGAPORE)**

The board of directors (the “**Board**”) of Jason Marine Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) would like to thank the Securities Investors Association (Singapore) (“**SIAS**”) for submitting their questions in advance of the Company’s Annual General Meeting to be held on 28 August 2020 at 10.00 am.

Unless otherwise defined, capitalised terms used herein shall have the same meaning as ascribed there to in the Company’s annual report for the financial year ended 31 March 2020 (“**Annual Report**”).

The Company’s responses to the questions received from SIAS are set out below.

Question 1

As shown under “Financial Highlights” section on page 2 of the Annual Report (table reproduced below), the Group’s revenue for FY2020 has increased by 4.1% to hit S\$30.2 million. In fact, this is the first increase in revenue since FY2015 when revenue was as high as S\$56.4 million.

Results of Operations	FY2020 (S\$’000)	FY2019 (S\$’000)	FY2018 (S\$’000)	FY2017 (S\$’000)	FY2016 (S\$’000)
Revenue	30,204	29,002	31,646	33,155	37,169
Gross profit	7,693	10,178	10,218	9,992	7,088
Profit/(Loss) before income tax	2,237	612	192	516	(5,960)
Profit/(Loss) attributable to owners of the parent	2,195	191	45	237	(5,996)
Earnings/(Loss) per share (cents)*	2.09	0.18	0.04	0.23	(5.70)

* For comparative purpose, earnings/(loss) per share of the Group for the financial years shown were computed based on the weighted average number of ordinary shares in issue (excluding treasury shares) of 105,000,000 for FY2020.

As stated under “Financial & Operations Review” section of the Annual Report, market conditions are expected to remain challenging, especially with the evolving COVID-19 situation as well as the drop in oil prices. It was also stated that the Group will focus on strengthening its existing business and look for opportunities to increase its customer base and business activities by creating value for clients and leveraging on technology.

- (i) Will management elaborate further on how the Group intends to increase its customer base? What are some of the potential opportunities available to the Group in the next 18 to 24 months?

Response

The Group will continue to engage existing and new customers with new product and service offerings, as well as expanding its overseas presence in order to increase its service network. The Group will also leverage on technology to have in-house preventive maintenance system solutions which will enable it to better serve customers’ need.

Cybersecurity solutions is also an area which the Group is exploring. The International Maritime Organisation (“IMO”) has issued guidelines on maritime cyber risk management which encourages administrations to ensure that cyber risks are appropriately addressed in safety management systems. The Group believes that the demand for cybersecurity solutions presents potential business opportunities.

- (ii) **To help shareholders better understand the prospects of the Group, will management elaborate further on the key products and services offered by the Group in the new “digital era” that is already upon us?**

Response

The Group has embarked on providing internet-protocol (IP) based solutions as early as 2015 to new and existing maritime companies, as opposed to traditional analog-based solutions. The Group has been successful in increasing revenue under this segment as IP-based solutions are more efficient than traditional analog-based solutions. The Group believes that more companies will change and adopt IP-based solutions in the new digital era and will continue to leverage on its experience and expertise in this field to provide better and more efficient solutions to its customers.

- (iii) **Does management see any silver lining for the Group in this challenging period?**

Response

The COVID-19 pandemic has affected many businesses around the world as well as the global economy. The drop in oil prices will have an impact on investments in the marine and oil and gas sectors in the near to medium term, and this will affect the demand for the Group’s services. However, the Group believes that the marine offshore oil and gas industry is here to stay.

The Group continues to have a strong balance sheet and the necessary credit lines to meet its working capital requirements. Nevertheless, given the difficult operating environment that the marine and offshore oil and gas industry is facing, the Group will continue to monitor closely on the evolving situation and actively exercise prudence in managing operational costs.

Question 2

Reference is made to the key audit matter in relation to accounting for investment in eMarine Global Inc. (“eMarine”) on pages 32 to 33, Note 14 to the financial statements on page 74 and Note 33.6 to the financial statements on page 98, of the Annual Report.

In 2011, the Group entered into a shareholder agreement where a put option had been granted in respect of 23,486 common shares held in eMarine. The put option, if exercised, will give the Group the right to sell 23,486 shares for KRW44,069 per share, plus interest.

Following a corporate action, the shareholder agreement entered into with Mr Ung Gyu Kim (“Mr Kim”) was revised on 30 August 2017, in which the put option, if exercised, will give the Group the right to sell 1,363,953 shares in eMarine at KRW759 per share, plus interest.

On 18 January 2019, the Group entered into an amended and restated agreement and extended the expiration date of the put option from 31 December 2019 to 31 December 2022.

The Company has stated that, as at 31 March 2020, the fair value of the put option contract is estimated to be S\$1,392,000 (2019: S\$249,000). The valuation was carried out by an independent valuation firm using the binomial model valuation technique, and recognised as Level 3 in the fair value hierarchy.

The significant unobservable inputs used in the model included:

- Expected volatility: 43.8% (31 March 2019: 40.1%)
- Drift rate: 0.8 % (31 March 2019: -0.5%)

- (i) **Will the Audit Committee elaborate further on the increase in “expected volatility” and “drift rate” used in the binomial model?**

Response

Based on the report from the independent valuation firm:

- (a) Expected volatility is based on median historical share price volatility of comparable companies as well as the USD/KRW exchange rate that commensurate with the time period to expiry of the option from the valuation date. The volatility of comparable companies’ share prices and the exchange rate is subject to market supply and demand.
- (b) Drift rate has been taken to be the difference between Korea’s risk-free rate and that of the United States (US) as at the valuation date. As the US risk free rate has decreased significantly, it has caused the US risk free rate to be lower than the Korean risk-free rate, which resulted in the increase of the drift rate.

The independent valuation firm has confirmed that based on its analysis, the increases in expected volatility and drift rate of 3.7% and 1.3% respectively do not have a material impact on the value of the put option.

- (ii) **What were the main reasons that the fair value of put option has increased from S\$249,000 to S\$1.39 million?**

Response

The main reason for the increase in the fair value of the put option is the share price of eMarine, which has decreased significantly from USD 1.90 as of 31 March 2019, to USD 0.25 as of 31 March 2020.

- (iii) **The fair value of the put option appears to be inversely related to the share price of eMarine, and therefore the financial standing of Mr Kim. Given that the put option contract was amended and extended previously, how confident is management that the Group would be able to receive the settlement (i.e. cash proceeds) from Mr Kim if the put option is exercised?**

Response

The put option was previously extended as the Board was of the view that this would be in the best interest of the Group having considered the illiquid trading of eMarine shares on the OTC Market in the US, the financial circumstances of Mr Kim and general market conditions.

The Company’s management believes that that Mr Kim has difficulties to fulfil his obligations to purchase the shares of eMarine if the put option is to be exercised currently. However, given time, there is a possibility that eMarine’s business may turn around, which will increase the chances for Mr Kim to fulfil the said obligations.

- (iv) **Would the Board provide more clarity on the financial status of Mr Kim to allow shareholders to better understand the credit and counterparty risks associated with the put option?**

Response

To the best of the knowledge and belief of the Company’s management, Mr Kim had provided personal guarantees to Small & Medium Business Corporation in Korea for the purpose of securing credit facilities granted to eMarine. Hence, the Company’s management believes that Mr Kim’s financial status is closely related to the financial position of eMarine. As of eMarine’s latest consolidated financial statements for the full year ended 31 December 2019, eMarine was still in a net liability position.

Question 3

The Company was listed on the Catalist board of the Singapore Exchange Securities Trading Limited (the “SGX-ST”) in October 2009. As shown on page 10 of the Annual Report, all 4 directors of the Board were appointed prior to the Company’s listing on SGX-ST.

Name of Director	Position in the Board	Date of first appointment	Date of last re-election
Mr Foo Chew Tuck	Executive Chairman and CEO	9 September 2007	30 July 2019
Mr Wong Hin Sun, Eugene	Non-Independent Non-Executive Director	15 September 2009	30 July 2019
Mr Sin Hang Boon	Independent Director	15 September 2009	26 July 2018
Mrs Eileen Tay-Tan Bee Kiew	Lead Independent Director	15 September 2009	26 July 2018

(Source: company annual report)

- (i) **Will the Company help shareholders recall if it had appointed any directors to the Board since its listing in 2009?**

Response

There has been no new director appointed to the Board since the Company’s listing in 2009.

- (ii) **What is the search and nomination process for new directors, especially independent directors? Please include the criteria used to identify and evaluate potential new directors and the main channels used in searching for appropriate candidates.**

Response

The Nominating Committee (“NC”) leads the process and makes recommendations to the Board for the selection and approval of appointment of new directors as follows:

- (a) evaluates the balance of skills, knowledge and experience on the Board and, in the light of such evaluation and in consultation with the management, prepares a description of the role and the essential and desirable competencies for a particular appointment;
- (b) evaluates suitability of potential candidates introduced by existing directors and/or their network of contacts (if so necessary, the NC may also seek external help to source for potential candidates);
- (c) meets with short-listed candidates to assess their suitability and to ensure that the candidate(s) are aware of the Board’s expectation and the level of commitment required for the role; and
- (d) makes recommendation on the selected candidate to the Board for approval.

The NC is of the view that it is of importance that the Board has the requisite blend of expertise, skills and attributes to oversee the Group’s business. The NC considers the main selection criteria to be competencies which are relevant and valuable to the Group such as accounting, business development and industry contacts, management, sales and strategic planning. The primary channel used in searching for potential candidates is through referrals from personal contacts of existing directors.

- (iii) **Will the NC elaborate further on how its search and nomination process support its board diversity policy?**

Response

As part of the nomination process, the NC takes into consideration the diversity of skill, experience, gender and knowledge, so that there is a blend of expertise, skills and attributes to oversee the Group's business. The diversity of skills is important as it helps to provide constructive advice on the Group's strategic and business plans.

- (iv) **In August 2018, the Monetary Authority of Singapore issued a revised Code of Corporate Governance ("2018 CG Code") and the SGX-ST has 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 9 years after which the long tenured directors will be subject to a two-tier voting process by shareholders.

Will the Board/NC elaborate further on the plans (including the pace) to refresh the membership of the Board to comply with the 2018 CG Code in good time? Reconstituting the Board early to comply with the 2018 CG Code will avoid undue disruption and help to maintain institutional knowledge and continuity in the Board.

Response

The Company has commenced the process of looking for suitable candidates and has plans to progressively refresh the membership of the Board so as to maintain institutional knowledge and continuity. As stated in the Annual Report, in line with the transitional period as indicated by the Corporate Governance Council with regard to changes to board composition pursuant to the 2018 CG Code, the Company will endeavour to refresh and make changes to its Board composition, such that independent directors make up a majority of the Board, by 1 January 2022.

By Order of the Board

Foo Chew Tuck
Executive Chairman and CEO
25 August 2020

This announcement has been reviewed by the Company's sponsor, CIMB Bank Berhad, Singapore Branch (the "Sponsor") in accordance with Rule 226(2)(b) of the Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Manual Section B: Rules of Catalist. This announcement has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement. The contact person for the Sponsor is Ms Tan Cher Ting, Director, Investment Banking, CIMB Bank Berhad, Singapore Branch, at 50 Raffles Place, #09-01 Singapore Land Tower, Singapore 048623, Telephone (65) 6337 5115.