Securities Investors Association (Singapore)
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UEN No: S99SS0111B
GST Reg No: M90367530Y0Y

Issuer: Jason Marine Group Limited

Stock code: 5PF

Meeting details:
Date: 25 Jul 2024
Time: 10.00 a.m.
Venue: 194 Pandan Loop, #05-27 Pantech Business Hub, Singapore 128383

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Q1. Revenue for the financial year increased 14.3% to $34.7 million, mainly driven by the expanding distribution business and overseas operations. This growth was supported by rising energy demand and the emergence of green projects.

As mentioned in the statement to shareholders, the chairman highlighted that the group has set up a new legal entity in the Canary Islands, Spain and is preparing to expand into the Middle East. The group's focus has shifted from selling products to providing comprehensive solutions tailored to customers' needs. The group has also strengthened relationships with key suppliers, becoming a Master distributor for some brands and adding new principals.

(i) **Can the board help shareholders understand whether the company risks overextending itself by simultaneously scaling up operations in Spain, establishing a start-up in the Canary Islands, and venturing into the Middle East markets??**

(ii) **What specific strategic directives has the board provided to ensure successful execution of the company's expansion into Spain and the Middle East? How is the board ensuring that management maintains focus and allocates resources effectively to manage these simultaneous ventures?**

(iii) **In addition, could the board clarify the group's strategic focus? Is the priority on providing comprehensive solutions to customers, or is driving the distribution business the key focus?** It was disclosed that the revenue from distribution for the group more than doubled over the past three years.

(iv) **Given the unique challenges of operating in the Middle East, can management provide a detailed market entry strategy, including key milestones and success metrics? In addition, what specific risk mitigation strategies are in place to address common issues such as trade receivables collection and regulatory hurdles?**

(v) **Can management provide more details on the green projects, such as wind farms and liquid natural gas vessels, that the group has been involved in? Has management evaluated the potential of offshore wind farms in Taiwan?**

Q2. The 5-year financial highlights are shown on page 2 of the annual report. Profit attributable to owners of the company amounted to $92,000 despite the significant increase in revenue.

(i) **Profit margin:** Gross profit margin slipped from 33.0% in FY2023 to 29.6% in FY2024 due to a larger proportion of sales stemming from lower margin segments. **What are the key operational priorities over the next 18-24 months to improve the group's gross and net profit margins?**

(ii) **Cash flow:** Net cash used in operating activities was $(2.31) million in 2024 and $(1.25) million in 2023. Cash and cash equivalents at the end of the financial year have declined significantly to $9.69 million from as high as $15.2 million as at 31 March 2021. **How much more cash does the group expect to use as it invests in the group's expansions? Given the significant net cash used in operating activities, what specific measures are being implemented to manage cash flow more effectively during the expansion phase?**

(iii) **Airtime revenue: How is the group pricing its satellite airtime services?** On page 23, it was explained that the group has expanded its airtime team to support and ramp up this segment of the business. As a result, segment losses have widened to $(0.4) million. **What is the commercial rationale for investing in this segment when the group states that the airtime market is increasingly competitive? How does management plan to achieve profitability in this segment, and what are the key performance indicators being tracked?**

(iv) **Inventories: What are the reasons for the significant increase in inventories from $4.6 million to $8.2 million? Does management expect inventories to remain elevated as a result of the group's expansion?**

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Q3. The company is also proposing to implement a new performance share plan, namely the Jason Performance Share Plan 2024, to replace the old 2011 Performance Share Plan (PSP). With the new PSP, the board aims to maintain the company's flexibility and effectiveness in rewarding, retaining, and motivating employees to achieve increased performance. The new plan is expected to provide a more comprehensive set of remuneration tools and enhance the company's competitiveness in attracting and retaining local and foreign talent.

For reference, under the old 2011 PSP, 154,000 awards were granted, of which 147,000 awards vested and 7,000 awards lapsed.

(i) **Did the board review the effectiveness of the 2011 PSP? What were the key learnings?**

(ii) **How will the committee set the performance targets for the new performance share plan to ensure alignment with the company's strategic goals?**

(iii) **Will the committee also issue awards that are non-performance-based, such as time-based awards? If so, what is the rationale behind this decision?**

(iv) **Given that the committee administering the PSP will be the remuneration committee (RC), is there a risk that the directors in the RC will be awarding awards to themselves (or one another) since the proposed 2024 PSP includes the participation of non-executive directors?**

(v) **Has the board, especially the independent directors, considered if a PSP is appropriate given that the company's shares have been trading at significant discounts to NAV/NTA?**

(vi) **To facilitate informed voting on the proposed PSP, will the board provide a detailed analysis of the dilutive impact of the PSP?** The company has stated that "it is expected that any dilutive impact of the Plan on the NTA and the EPS of the company and the group would not be significant". **Can this be substantiated with specific data?**

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.