



Securities Investors Association (Singapore)
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UEN No: S99SS0111B
GST Reg No: M90367530Y

Issuer: Jason Marine Group Limited

Stock code: 5PF

Meeting details:

Date: 28 August 2020

Time: 10.00 a.m.

Due to the current COVID-19 pandemic, SIAS encourage shareholders to participate at AGMs via other means and not to attend any AGM physically. Where the AGM is webcast, they can stay on top of their investments by watching the webcast and submitting their question to the company in advance. Senior citizens should avoid attending AGMs altogether and stay home.

Q1. As shown in the financial highlights (reproduced below), revenue for the financial year increased by 4.1% to hit \$30.2 million. In fact, this is the first increase in revenue since FY2015 when revenue was as high as \$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.

(Source: company annual report)

As noted in the financial & operations review, market conditions are expected to remain challenging, especially with the evolving COVID-19 situation as well as the drop in oil prices in April 2020. It was 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) **Can management elaborate further on how it intends to increase its customer base? What are some of the potential opportunities available to the group in the next 18-24 months?**
- (ii) **To help shareholders better understand the prospects of the group, can management elaborate further on the key products and services offered by the group in the new “digital era” that is already upon us?**
- (iii) **Does management see any silver lining for the group in this challenging period?**

Q2. The “Accounting for investment in eMarine Global Inc. (“eMarine”)” is a key audit matter for the financial year ended 31 March 2020.

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 accrued.

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 \$1,392,000 (2019: \$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) **Can the audit committee elaborate further on the increase in “Expected volatility” and “Drift rate” used in the binomial model?**
- (ii) **What were the main reasons that the fair value of put option has increased from \$249,000 to \$1.39 million?**

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.

- (iii) **Given that the put option contract was amended and extended previously, how confident is management that it would be able to receive the settlement (i.e. cash proceeds) from Mr Kim if the put option is exercised?**
- (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?**

Q3. 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 four directors of the board were appointed prior to the company’s listing on SGX.

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) **Can the company help shareholders recall if it had appointed any directors to the board since its 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.**
- (iii) **Can the nominating committee (“NC”) elaborate further on how its search and nomination process support its board diversity policy?**

In August 2018, the Monetary Authority of Singapore issued a revised Code of Corporate Governance (“2018 CG Code”) and the Singapore Exchange 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 come into effect on 1 January 2022.

Under the revised Listing Rules, the term of an independent director will be limited to nine years after which the long tenured directors will be subject to a two-tier vote by shareholders.

- (iv) **Would the board/NC elaborate further on the plans (including the pace) to refresh the membership of the board to comply with the new 2018 Code in good time?** Reconstituting the board early to comply with the new 2018 Code would avoid undue disruption and help to maintain institutional knowledge and continuity in the board.

^Amid the global COVID-19 outbreak, issuers who choose to proceed with the AGM before 30 April 2020 must provide opportunities for shareholders to ask questions. Shareholders are encouraged to read the annual report and submit any questions they might have to the companies in advance. Issuers would then publicly address the questions at the general meeting via the issuer’s website, through “live” webcast and on SGXNet.

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

Can’t attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on [SIAS website](http://www.sias.org.sg)

Join our mailing list [here](#) to receive latest news and upcoming events.

[^] Joint Statement by Accounting and Corporate Regulatory Authority, Monetary Authority of Singapore and Singapore Exchange Regulation dated 31 Mar 2020 (<https://www.sgx.com/media-centre/20200331-acra-mas-and-sgx-regco-update-guidance-general-meetings>)



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