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 25 July 2024 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 2024 ("**Annual Report**").

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

<u>Question 1</u>

Revenue for the financial year increased 14.3% to S$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?

<u>Response</u>

The Board has evaluated the risks and opportunities associated with expanding into these markets, and will only scale up progressively when it is showing positive results. The expansion is also a critical part of the Group's growth plans and provides a new platform for revenue and margins expansion beyond its current markets.

The venturing into the Middle East markets is at the preliminary stage, and the Group is working with existing business partners in the region for the time being, instead of having its own legal entity.

(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 the management maintains focus and allocates resources effectively to manage these simultaneous ventures?

<u>Response</u>

The Board has requested and been provided with the business plans, market analyses, financial forecasts and risks management strategies from the management for our expansion into Spain. The Board has also requested for quarterly updates from the management to report on the progress of the new entity. For Middle East, it is still in the preliminary stage as explained in question 1(i).

The Board engages in strategic planning sessions with the management team, and receives regular communications and updates on the Group's performance and business matters. This allows the Board to take timely intervention and support when necessary.

(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.

<u>Response</u>

The strategic focus of the Group is on sustainable business growth, stemming across all the core segments namely, the sale of goods (project and distribution), rendering of services and airtime revenue. This allows the Group to diversify the risks associated in the different segments, while also position the Group to be a one-stop solution for marine electronics equipment.

(iv) Given the unique challenges of operating in the Middle East, can the 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?

<u>Response</u>

The venturing into the Middle East markets is at the preliminary stage, and the Group is working with existing business partners in the region, which already have local business presence and strong connections in the Middle East. This will allow the Group to better understand the market environment before taking any direct steps or investments, as well as to handle the regulatory matters efficiently with the help of the local business partners.

The Group has in place customer evaluation and credit limit assessment processes to ensure that the business and collection risks are well managed.

(v) **Can the 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 the management evaluated the potential of offshore wind farms in Taiwan?**

Response

The Group has been delivering a diverse suite of turnkey solutions for the offshore renewables and wind energy sectors for the past few years. We are also involved in offshore wind farms projects in Taiwan.

Below are some of the notable green projects that we are involved in:

- Orsted Greater Changhua projects (wind farms in Taiwan)
- Seatrium Maersk Sturgeon Landmark Wind Turbine Installation Vessel Project
- Golar Gimi Floating Liquefied Natural Gas Vessel Project

Question 2

The 5-year financial highlights are shown on page 2 of the Annual Report. Profit attributable to owners of the Company amounted to S$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?**

Response

The Group's key priority is to bolster its revenue stream through a number of key action plans. A significant amount of project orders were secured during FY2024. One of the top priorities is on executing existing projects, which will allow the Group to increase its project revenue. The Group will consider expanding its overseas presence and related market segments when opportunities arise, and work on securing further new project orders, as well as to extend its footprint in the renewables offshore sector.

(ii) **Cash flow: Net cash used in operating activities was S$(2.31) million in 2024 and S$(1.25) million in 2023. Cash and cash equivalents at the end of the financial year have declined significantly to S$9.69 million from as high as S$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?**

Response

The Group does not expect significant cash outlays in the Spain and Middle East operations. Majority of the cash outlays are for operating expenses and working capital requirements.

The Group is actively monitoring its operational performance including the cashflow forecast, and ensuring that it has sufficient banking facilitates to meet its current working capital needs.

(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 S$(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 the management plan to achieve profitability in this segment, and what are the key performance indicators being tracked?

Response

The airtime segment, while competitive, is still a very sizable market and it is growing in demand especially in this digital age. The Group has introduced more solutions and has expanded the airtime support team to allow the Group to compete more effectively in this segment.

We believe that the changes made in the Group's airtime business will enhance our competitiveness and create further synergy to other business segments of the Group. Key performance indicators include revenue, gross and net profit margins, and number of active subscriptions.

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

Response

The significant increase is due to the increase in inventories for projects amounting to S$2.1 million, as well as increase of S$1.5 million for distribution business. For the comprehensive solutions under the project orders, the Group needs to procure the equipment, integrate and test the systems before delivering to the customer, hence resulting in a longer lead time for the delivery of inventories. The Group also needs to increase its inventory holding for fast moving items to cater for the growth in its distribution business.

The Group expects inventories level to increase in tandem with business activities, while noting that the inventories do fluctuate significantly depending on the delivery schedules of the Group's projects.

Question 3

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?

Response

The Board has reviewed the effectiveness of the 2011 PSP, and is aware that not many performance shares were issued under the scheme, largely due to the Group not meeting performance targets. However, the Board believes that a PSP will allow the Group to have a more comprehensive set of remuneration tools, which will enhance the Group's competitiveness in attracting and retaining talents for the long term.

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

Response

The committee obtains input from the management team and identify Key Performance Indicators ("**KPI**"), which are clear, measurable and aligned with both short-term and long-term objectives of the Group. The committee will periodically review the KPI to ensure that they are relevant to the strategic goals of the Group.

(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?

Response

The committee may issue time-based awards, which can improve employees' morale and loyalty, as well as serve as a retention tool. The committee believes that a balanced approach between time-based and performance-based awards can ensure stability within the workforce and contribute to the long-term success of the Group.

(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?

<u>Response</u>

The rationale to include Non-Executive Directors ("**NEDs**") in the PSP is to recognise the important role they play in shaping the business strategy of the Group, by drawing on their diverse backgrounds and working experience. By aligning the interests of the NEDs with the interests of the shareholders, it will help in achieving the short and long-term objectives of the Group.

The performance framework to assess the contributions of the NEDs are based on specific selected criteria. Any shares awarded is expected to be relatively small in terms of both frequency and numbers, and is intended only as a token of the Company's appreciation towards the NEDs.

(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?

<u>Response</u>

The Board has considered that, but holds the long term view that the PSP would bring in more benefits to the Group by aligning the employees' interests with that of shareholders, as well as attracting and retaining talents. These will contribute towards improving the Group's performance, thereby closing the gap between market value and 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?

<u>Response</u>

It is not possible for the Company to realistically calculate or quantify the dilutive impact of the PSP, given that the resultant effect would depend on, *inter alia*, the aggregate number of shares issued or acquired, the purchase prices paid for such shares, the performance targets for the awarding of shares, and the number of shares that will be vested upon meeting the performance targets and conditions.

While the awarding of shares under the PSP will result in a charge to the Group's income statement, the earnings and NTA of the Group should have grown if the performance targets are being met. Coupled with the limitation on the size of the PSP (not exceeding 15% of the Company's total number of issued shares (excluding treasury shares and subsidiary holdings)), the dilutive impact is not expected to be significant.

By order of the Board

Foo Chew Tuck
Executive Chairman and CEO
20 July 2024

---

*This announcement has been reviewed by the Company's sponsor, SAC Capital Private Limited (the "**Sponsor**"). 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. Lee Khai Yinn (Telephone no.: (65) 6232 3210) at 1 Robinson Road, #21-00 AIA Tower, Singapore 048542.