MARINE & GENERAL BERHAD

MARINE & GENERAL BERHAD *(405897-V)*

INTERIM RESULT FOR THE PERIOD ENDED 31 DECEMBER 2018 (Q4 2018)

Contents:

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(Incorporated in Malaysia)
UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 DECEMBER 2018
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Notes	Current Year Quarter 31-Dec-18 RM'000	Preceding Year Corresponding Quarter 31-Dec-17 RM'000	Current Year To Date 31-Dec-18 RM'000	Preceding Year Corresponding Period 31-Dec-17 RM'000
Revenue		**51,307**	38,645	**170,021**	152,076
Direct costs		**(31,914)**	(46,339)	**(161,496)**	(198,449)
Gross profit		**19,393**	(7,694)	**8,525**	(46,373)
Other income		**26**	-	**1,790**	-
Other item of expenses:					
Administrative expenses		**(5,365)**	(7,790)	**(19,776)**	(15,604)
Other expenses		**-**	(202,037)	**(372)**	(251,054)
		(5,365)	(209,827)	**(20,148)**	(266,658)
EBIT		**14,054**	(217,521)	**(9,833)**	(313,031)
Finance income	A8	1,226	2,233	6,394	7,405
Finance cost	A8	(15,674)	(15,855)	(57,345)	(62,261)
Net finance cost		(14,448)	(13,622)	(50,951)	(54,856)
Loss before taxation		**(394)**	**(231,143)**	**(60,784)**	(367,887)
Taxation	A9	(194)	11,143	(926)	33,602
Loss after taxation		**(588)**	(220,000)	**(61,710)**	(334,285)
Discontinued operations					
(Loss)/Profit from discontinued operations, net of tax		-	(818)	**-**	**385,470**
(Loss)/profit for the period		**(588)**	**(220,818)**	**(61,710)**	**51,185**

MARINE & GENERAL BERHAD (405897-V)

(Incorporated in Malaysia)

UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 DECEMBER 2018

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Notes	Current Year Quarter 31-Dec-18 RM'000	Preceding Year Corresponding Quarter 31-Dec-17 RM'000	Current Year To Date 31-Dec-18 RM'000	Preceding Year Corresponding Period 31-Dec-17 RM'000
Other comprehensive income, net of tax					
Items that are or may be reclassified subsequently to profit or loss					
Foreign currency translation differences for foreign operations		105	-	2,503	-
Total comprehensive (expense)/income for the period		**(483)**	**(220,818)**	**(59,207)**	**51,185**
Net (loss)/profit attributable to:					
Owners of the parent		**148**	(154,741)	**(41,092)**	152,429
Non-controlling interests		**(736)**	(66,077)	**(20,618)**	(101,244)
		(588)	(220,818)	**(61,710)**	51,185
Total comprehensive (expense)/income attributable to:					
Owners of the parent		**253**	(154,741)	**(38,589)**	152,429
Non-controlling interests		**(736)**	(66,077)	**(20,618)**	(101,244)
		(483)	(220,818)	**(59,207)**	51,185
Earnings/(loss) per share (sen)	A10				
- from continuing operations		**0.02**	(21.26)	**(5.68)**	(32.19)
- from discontinued operations		**-**	(0.11)	**-**	53.25
Basic earnings/(loss) per share		**0.02**	(21.38)	**(5.68)**	21.06

The condensed consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017 and the accompanying explanatory notes attached to the interim financial statements.

MARINE & GENERAL BERHAD (405897-V)
(Incorporated in Malaysia)
UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 DECEMBER 2018
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	31-Dec-18 RM'000	Audited 31-Dec-17 RM'000
Assets			
Non-current assets			
Property, vessels and equipment		**872,767**	856,736
		872,767	856,736
Current assets			
Inventories		**1,092**	1,076
Other investments	A12	**139,381**	235,776
Trade and other receivables	A13	**44,400**	32,427
Tax recoverable		**-**	-
Cash and bank balances	A14	**18,035**	5,320
		202,908	274,599
Total assets		**1,075,675**	1,131,335
Equity and liabilities			
Equity attributable to equity holders of the Company			
Share capital	A15	**270,003**	270,003
Reverse acquisition deficit		**(92,791)**	(92,791)
Translation reserve		**2,503**	-
Accumulated losses		**(51,226)**	(10,134)
		128,489	167,078
Non-controlling interests		**(85,815)**	(68,132)
Total equity		**42,674**	98,946
Non-current liabilities			
Loans and borrowings	A16	**811,989**	825,664
		811,989	825,664
Current liabilities			
Loans and borrowings	A16	**162,972**	165,962
Trade and other payables	A17	**57,939**	40,255
Provision for taxation		**101**	508
		221,012	206,725
Total liabilities		**1,033,001**	1,032,389
Total equity and liabilities		**1,075,675**	1,131,335
Net assets per share attributable to equity holders of the Company (sen)		**17.75**	23.08

The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017 and the accompanying explanatory notes attached to the interim financial statements.

MARINE & GENERAL BERHAD (405897-V)
Incorporated in Malaysia
UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 DECEMBER 2018
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holders of the Company						
	Non-distributable				Distributable		
	Share capital RM'000	Share premium RM'000	Reverse acquisition deficit RM'000	Translation reserve RM'000	Accumulated losses RM'000	Non-Controlling interests RM'000	Total RM'000
At 1 January 2018	270,003	-	(92,791)	-	(10,134)	(68,132)	98,946
Foreign currency translation differences for foreign operations	-	-	-	2,503	-	-	2,503
Loss for the year	-	-	-	-	(41,092)	(20,618)	(61,710)
Total comprehensive income/(loss) for the period	-	-	-	2,503	(41,092)	(20,618)	(59,207)
	270,003	-	(92,791)	2,503	(51,226)	(88,750)	39,739
Capital contribution by non-controlling interests	-	-	-	-	-	2,935	2,935
At 31 December 2018	270,003	-	(92,791)	2,503	(51,226)	(85,815)	42,674
At 1 January 2017	175,383	87,470	(92,791)	-	(57,333)	33,112	145,841
Transition in accordance with section 618(2) of the Companies Act 2016 to no-par value regime on 31 January 2017	87,470	(87,470)	-	-	-	-	-
Total comprehensive income/(loss) for the year	-	-	-	-	152,429	(101,244)	51,185
Transaction with owners:							
Payment of dividends	-	-	-	-	(98,080)	-	(98,080)
Issue of shares pursuant to Dividend Reinvestment Policy	7,150	-	-	-	(7,150)	-	-
	7,150	-	-	-	(105,230)	-	(98,080)
At 31 December 2017	270,003	-	(92,791)	-	(10,134)	(68,132)	98,946

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017 and the accompanying explanatory notes attached to the interim financial statements.

MARINE & GENERAL BERHAD (405897-V)

(Incorporated in Malaysia)

UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 DECEMBER 2018

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

		31-Dec-18 RM'000	31-Dec-17 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Collection of revenue		**156,509**	203,660
Collection of other income		**8,963**	8,311
		165,472	211,971
Payment of expenses		**(93,535)**	(165,493)
Net tax paid		**(1,490)**	(2,393)
Net cash generated from operating activities		**70,447**	44,085
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceed from disposal of a subsidiary		**-**	352,212
Proceed from disposal of property, vessels and equipment		**155**	-
Contributions from a minority shareholder		**3,093**	-
Redemption of deposit and cash management fund		**96,395**	(231,502)
Purchase of property, vessels and equipment		**(90,784)**	(12,801)
Highway development expenditure		-	(1,142)
Net cash used in investing activities		**8,859**	106,767
CASH FLOWS FROM FINANCING ACTIVITIES			
Drawdown of borrowings		**-**	8,000
Repayment of borrowings		**(26,119)**	(40,213)
Payment of finance costs		**(40,472)**	(122,843)
Payment of dividends		**-**	(98,080)
Net cash generated from financing activities		**(66,591)**	(253,136)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**12,715**	(102,284)
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD		**5,320**	107,604
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD	(a)	**18,035**	5,320

(a) Cash and cash equivalents

Cash and cash equivalents included in the statement of cash flows comprise the following statement of financial position amounts:

	31-Dec-18 RM'000	31-Dec-17 RM'000
Cash and bank balances	10,700	1,214
Deposits with licensed financial institutions	7,335	4,106
	18,035	5,320

The condensed consolidated statement of cash flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017 and the accompanying explanatory notes attached to the interim financial statements.

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

A1. CHANGE OF FINANCIAL YEAR END

As disclosed on 27 December 2018, the Group has changed its financial year end from 31 December to 30 April. Accordingly, the financial period ending 30 April 2019 covers a 16-month period from 1 January 2018 to 30 April 2019.

A2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements have been prepared in accordance with MFRS 134 Interim Financial Reporting and IAS 34 Interim Financial Reporting.

The condensed consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the period ended 31 December 2017.

The accounting policies adopted are consistent with those of the previous financial period except for the adoption of new and amended standards as set out below:

a. New and amended standards adopted by the Group

A number of new and amended standards have become applicable for the current reporting period. However, the Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

b. Standards issued but not yet effective

At the date of authorisation of this financial statement, the following MFRS and Amendments to MFRSs were issued but not yet effective and have not been applied by the Group:

MFRSs, Interpretations and amendments to MFRS	Effective date
▪ MFRS 16, *Leases*	1 January 2019
▪ IC Interpretation 23, *Uncertainty over Income Tax Treatments*	1 January 2019
▪ Amendments to MFRS 3, *Business Combinations (Annual Improvement to MFRS Standards 2015-2017 Cycle)*	1 January 2019
▪ Amendments to MFRS 9, *Financial Instruments - Prepayment Features with Negative Compensation*	1 January 2019
▪ Amendments to MFRS 11, *Joint Arrangements (Annual Improvements to MFRS Standards 2015-2017 Cycle)*	
▪ Amendments to MFRS 112, *Income Taxes (Annual Improvement to MFRS Standards 2015-2017 Cycle)*	1 January 2019
▪ Amendments to MFRS 123, *Borrowing Costs (Annual Improvement to MFRS Standards 2015-2017 Cycle)*	1 January 2019

A2. BASIS OF PREPARATION (CONTINUED)

b. Standards issued but not yet effective (continued)

MFRSs, Interpretations and amendments to MFRS	Effective date
▪ Amendments to MFRS 128, *Investment in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures*	1 January 2019
▪ MFRS 17, *Insurance Contracts*	1 January 2021
▪ Amendments to MFRS 10, *Consolidated Financial Statements and MFRS 128, Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures*	To be confirmed

The Group are expected to apply the above pronouncements beginning from the respective dates the pronouncements become effective. The Group is currently assessing the impact of adopting the pronouncements.

A3. CORPORATE INFORMATION

Marine & General Berhad is a public limited liability company incorporated and domiciled in Malaysia and is listed on Bursa Malaysia Securities Berhad.

These condensed consolidated interim financial statements were approved by the Board of Directors on 25 February 2019.

A4. CHANGES IN ESTIMATES

There were no changes in estimates of amounts that would have material effect in the current period.

A5. CHANGES IN THE COMPOSITION OF THE GROUP

There has been no material change in total assets and no differences in the basis of segmentation or in the basis of measurement of segment profit or loss as compared to the last annual financial statements.

A6. SEGMENT INFORMATION

	Marine Logistics - Upstream		Marine Logistics - Downstream		Highway Division (discontinued)		Investment Holding and Others		Adjustments		Total	
	31-Dec-18	31-Dec-17	31-Dec-18	31-Dec-17	31-Dec-18	31-Dec-17	31-Dec-18	31-Dec-17	31-Dec-18	31-Dec-17	31-Dec-18	31-Dec-17
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
3 months results:												
Revenue												
External customers	40,117	30,846	11,190	7,799	-	-	-	-	-	-	51,307	38,645
Inter-segment	-	-	-	-	-	-	-	1,893	-	(1,893)	-	-
Total revenue	**40,117**	**30,846**	**11,190**	**7,799**	**-**	**-**	**-**	**1,893**	**-**	**(1,893)**	**51,307**	**38,645**
Segment profit/(loss) before taxation	**(3,063)**	**(232,802)**	**2,676**	**(2,547)**	**-**	**-**	**(7)**	**(143,615)**	**-**	**147,821**	**(394)**	**(231,143)**
12 months results:												
Revenue												
External customers	131,712	107,747	38,309	44,329	-	43,670	-	-	-	(43,670)	170,021	152,076
Inter-segment	-	-	-	-	-	-	1,854	7,412	(1,854)	(7,412)	-	-
Total revenue	**131,712**	**107,747**	**38,309**	**44,329**	**-**	**43,670**	**1,854**	**7,412**	**(1,854)**	**(51,082)**	**170,021**	**152,076**
Segment profit/(loss) before taxation	**(69,931)**	**(374,412)**	**4,827**	**(5,955)**	**-**	**(4,005)**	**(6,355)**	**88,847**	**10,675**	**(72,362)**	**(60,784)**	**(367,887)**
Segment assets	**773,735**	**814,623**	**160,706**	**78,404**	**-**	**-**	**263,827**	**268,786**	**(122,593)**	**(30,478)**	**1,075,675**	**1,131,335**
Segment liabilities	**1,095,378**	**1,042,572**	**163,044**	**81,856**	**-**	**-**	**3,783**	**1,649**	**(229,204)**	**(93,688)**	**1,033,001**	**1,032,389**

Pursuant to the disposal of Sistem Lingkaran-Lebuhraya Kajang Sdn. Bhd., results of the Highway Division were accounted up to 28 April 2017, being the completion date of the disposal, and accounted separately from the continuing operations as discontinued operation.

A7. SEASONAL OR CYCLICAL FACTORS

The Group's operations are not subject to any significant seasonal or cyclical factors.

A8. LOSS BEFORE TAX

Included in the loss before tax are the following items:

	Current Quarter 3 months ended		Cumulative Quarter 12 months ended	
	31-Dec-18	31-Dec-17	31-Dec-18	31-Dec-17
	RM'000	RM'000	RM'000	RM'000
Interest income	1,226	2,233	6,394	7,405
Interest expenses	(15,674)	(15,855)	(57,345)	(62,261)
Depreciation of property, vessels and equipment	(11,503)	(24,022)	(77,169)	(101,485)
Impairment loss on property, vessels and equipment	-	-	-	(250,046)
Impairment on trade receivables	-	-	(372)	(1,008)
Rental expenses	(146)	(191)	(606)	(388)
Net foreign exchange loss	(88)	106	(220)	(44)

A9. INCOME TAX

	Current Quarter 3 months ended		Cumulative Quarter 12 months ended	
	31-Dec-18	31-Dec-17	31-Dec-18	31-Dec-17
	RM'000	RM'000	RM'000	RM'000
Current period tax charge:				
Malaysian income tax	194	567	584	2,694
Deferred income tax:				
Relating to origination and reversal of temporary differences	-	(11,710)	-	(36,296)
	194	(11,143)	584	(33,602)

The effective tax rates of certain subsidiaries differ from the Malaysian statutory tax rate as subsidiaries incorporated in Labuan under the Offshore Companies Act, 1990 are taxed at 3% of their profit before taxation, or RM20,000 in accordance with the Labuan Offshore Business Activity Tax Act, 1990.

A10. EARNINGS/(LOSS) PER SHARE

Basic earnings/(loss) per share amounts are calculated by dividing profit/(loss) for the period, net of tax, attributable to owners of the parent by the weighted average number of ordinary shares outstanding during the financial period, excluding employee trust shares held by the Company.

The following reflect the profit/(loss) and share data used in the computation of basic earnings/(loss) per share:

	Individual Quarter			Cumulative Quarter		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
Period ended 31 December 2018:						
Profit/(loss) net of tax attributable to owners of the parent (RM'000)	148	-	148	(41,092)	-	(41,092)
Weighted average number of ordinary shares in issue ('000)	723,879	723,879	723,879	723,879	723,879	723,879
Basic earnings/(loss) per share (sen)	0.02	-	0.02	(5.68)	-	(5.68)
Period ended 31 December 2017:						
(Loss)/profit net of tax attributable to owners of the parent (RM'000)	(153,923)	(818)	(154,741)	(233,041)	385,470	152,429
Weighted average number of ordinary shares in issue ('000)	723,879	723,879	723,879	723,879	723,879	723,879
Basic (loss)/earnings per share (sen)	(21.26)	(0.11)	(21.38)	(32.19)	53.25	21.06

A11. VALUATION OF PROPERTY, VESSELS AND EQUIPMENT

There is no valuation of property, vessels and equipment brought forward from the previous audited financial statements, as the Group does not adopt a revaluation policy on property, vessels and equipment.

A12. OTHER INVESTMENTS

	31-Dec-18 RM'000	31-Dec-17 RM'000
Financial assets at fair value through profit or loss		
- Held for trading	139,381	135,452
Deposits placed with licensed banks	-	100,324
	139,381	235,776

The financial assets at fair value through profit or loss represent investments in short-term money market instruments.

A13. TRADE AND OTHER RECEIVABLES

	31-Dec-18 RM'000	31-Dec-17 RM'000
Trade receivables	32,300	22,561
Other receivables	12,100	9,866
	44,400	32,427

The ageing analysis of the trade receivables is as follows:

	31-Dec-18 RM'000	31-Dec-17 RM'000
Not past due	14,484	12,014
Past due 1-30 days	11,321	5,715
Past due 31-90 days	4,971	4,321
Past due more than 90 days	2,515	1,519
	33,291	23,569
Allowance for impairment loss	(991)	(1,008)
	32,300	22,561

The Group's normal trade credit terms for trade receivables is 30 days. Other credit terms are assessed and approved on case-to-case basis.

A14. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprised the following amounts:

	31-Dec-18 RM'000	31-Dec-17 RM'000
Cash and bank balances	10,700	1,214
Deposits placed with licensed bank	7,335	4,106
Total cash and cash equivalents	18,035	5,320

Included in the deposits placed with licensed financial institutions is RM1,386,000 (31 December 2017: RM1,718,000) pledged for banking facilities granted to subsidiaries.

A15. SHARE CAPITAL, SHARE PREMIUM AND TREASURY SHARES

Pursuant to section 74 of the Companies Act, 2016 (“the Act”), the Company’s shares no longer have a par or nominal value with the effect from 31 January 2017. In accordance with the transitional provision set out in section 618 of the Act, any amount standing to the credit of the shares premium account becomes part of the Company’s share capital. Companies have 24 months upon the commencement of the Act to utilize the credit.

There is no impact on the number of shares in issue or the relative entitlement of any of the members as a result of this transition. During the financial period, the Company has not utilized any of the credit in the share premium account which are now part of share capital.

During the period under review, there was no issuance, cancellation, repurchase, or resale of equity securities.

A16. GROUP BORROWINGS AND DEBT SECURITIES

Group borrowings and debt securities as at the end of the reporting period are as follows:

	31-Dec-18 RM'000	31-Dec-17 RM'000
Secured short-term borrowings:		
Term loans	115,929	118,308
Hire purchase financings	28	78
Overdrafts	7,015	9,576
Revolving credits	40,000	38,000
Total short term borrowings	162,972	165,962
	-	
Secured long-term borrowings:		
Term loans	811,989	815,634
Hire purchase financings	-	30
Revolving credits	-	10,000
Total long term borrowings	811,989	825,664

A16. GROUP BORROWINGS AND DEBT SECURITIES (CONTINUED)

Proposed Debt Restructuring Scheme

On 6 February 2018, the Company announced that its operating subsidiary, Jasa Merin (Malaysia) Sdn Bhd ("JMM") has received approval from the Corporate Debt Restructuring Committee ("CDRC") of Bank Negara Malaysia for its application for assistance to mediate between JMM and its subsidiaries (the **Applicant Company**) with its financiers (Lenders).

This admission to CDRC is consistent with M&G's strategy to streamline its operations and optimise its financial resources to focus and proactively enhance both its upstream and downstream marine logistics business pursuant to M&G's disposal of its entire investment in Sistem Lingkaran-Lebuhraya Kajang Sdn Bhd ("SILK").

A17. TRADE AND OTHER PAYABLES

	31-Dec-18 RM'000	31-Dec-17 RM'000
Trade payables	37,481	31,357
Amount due to directors	1,218	1,820
Accruals and other payables	19,240	7,078
	57,939	40,255

A18. DEBT AND EQUITY SECURITIES

The Group did not undertake any issuance, cancellation, repurchase, resale and repayment of debt and equity securities for the current period under review.

A19. DIVIDENDS

No dividends has been proposed or paid in the financial period under review.

In the previous corresponding period, the amount of dividends paid by the Company were as follows:

i. A special dividend of 10 sen per ordinary share totalling RM70,153,356 declared on 21 June 2017 and paid on 23 August 2017; and

ii. An interim dividend of 5 sen per ordinary share totalling RM35,076,678 declared on June 2017. Total of RM27,926,220 was paid on 23 August 2017 and the remaining RM7,150,458 was converted into shares pursuant to a Dividend Reinvestment Plan.

A20. COMMITMENTS

	31-Dec-18 RM'000	31-Dec-17 RM'000
Capital expenditure		
Approved and contracted for:		
Property, vessel and equipment	41,500	-
Approved but not contracted for:		
Property, vessels and equipment	37,500	135,650

A21. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Contingent liabilities of the Group comprise the followings:

		31-Dec-18 RM'000	31-Dec-17 RM'000
Litigation (unsecured)	(a)	17,800	17,800

(a) Pursuant to the disposal of SILK to PNB, the Company has agreed to indemnify PNB against all losses, costs, expenses, damages, claims and liabilities which may arise from the dispute between SILK and the landowners regarding the quantum of compensation payable for the compulsory acquisition of land falling under the Kajang Traffic Dispersal Ring Road ("Expressway") that was undertaken by SILK pursuant to the Concession Agreement.

In the SILK's funded stretch, there are 240 cases with claims amounting to RM503.7 million. Out of the 240 cases, 239 cases have been resolved and 1 case with claims of RM17.8 million is still pending Court hearing.

Pursuant to the Turnkey Contract dated 31 July 2001 between SILK and Sunway Construction Sdn. Bhd. ("SCSB"), the amount payable by SILK to SCSB for the land use payments (including expenses and charges incurred by SCSB for the acquisition of land and for removal or resettling of squatters or other occupants on the Expressway) has been contracted at a ceiling amount of RM215 million. Any further amounts that may be awarded by the Court beyond RM215 million will therefore be borne by SCSB.

Based on external legal advice, the Directors have concluded that it is unlikely that the Group and the Company will suffer an economic outflow from this legal case. Therefore, no provision related to this case is made in the financial statements.

A22. UNUSUAL ITEMS

There were no items affecting assets, liabilities, equity, net income, or cash flow that were unusual because of their nature, size and incidence in the current period.

PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE MAIN BOARD LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

B1. REVIEW OF PERFORMANCE

The Group performance for the quarter under review and the financial year compared with the corresponding periods of the previous financial year are as follows:

Quarterly review

	3 Months Ended			
	31-Dec-18 RM'000	31-Dec-17 RM'000	Variances	Change
Revenue	51,307	38,645	12,662	32.8%
Operating profit	19,393	(7,694)	27,087	352.1%
Earnings/(loss) before interest and taxation	14,054	(217,521)	231,575	106.5%
Loss before taxation	(394)	(231,143)	230,749	99.8%
Loss after taxation	(588)	(220,000)	219,412	99.7%
Profit/(loss) attributable to ordinary equity holders of the parent	148	(154,741)	154,889	100.1%
Fleet utilisation:				
Marine Logistics - Upstream Division	73.4%	54.2%		
Marine Logistics - Downstream Division	83.9%	88.0%		

a. During the period, the Group recorded RM51.3 million revenue, a 32.8% improvement from the preceding year corresponding quarter. The increase is in line with the higher charter activity of the Upstream Division.

b. During the period, the Group recorded RM0.4 million loss before taxation, a significant improvement from the loss of RM231.1 million recorded in the preceding year corresponding quarter. The improvement is mainly due to:
   - one-time vessel depreciation adjustment amounting approximately RM9 million to reflect the vessel residual value at the end of the economic life.
   - non-recurring vessel impairment loss of RM202 million incurred during the preceding year corresponding quarter.

Year-to-date review

	12 Months Ended			
	31-Dec-18 RM'000	31-Dec-17 RM'000	Variances	Change
Revenue	170,021	152,076	17,945	11.8%
Operating profit	8,525	(46,373)	54,898	(118.4%)
Loss before interest and taxation	(9,833)	(313,031)	303,198	(96.9%)
Loss before taxation	(60,784)	(367,887)	307,103	(83.5%)
Loss after taxation	(61,710)	(334,285)	272,575	(81.5%)
Profit from discontinued operations, net of tax	-	385,470	(385,470)	*
(Loss)/profit attributable to ordinary equity holders of the parent	(41,092)	152,429	(193,521)	(127.0%)
Fleet utilisation:				
Marine Logistics - Upstream Division	60.0%	48.3%		
Marine Logistics - Downstream Division	91.9%	84.0%		

B1. REVIEW OF PERFORMANCE (CONTINUED)

Year-to-date review (continued)

a. For the current 12 months cumulative period, the Group recorded RM170 million revenue representing 11.8% increase from the preceding year corresponding period. The increase is in line with higher charter activity recorded by the Upstream Division.

b. The Group recorded RM60.8 million loss before taxation, representing 83.5% lower loss before taxation of RM367.9 million recorded in the preceding year corresponding period. The improvement was mainly due to the RM251 million non-recurring impairment loss recognised during the preceding year corresponding period.

i. Marine Logistics – Upstream Division

	3 Months Ended			12 Months Ended		
	31-Dec-18 RM'000	31-Dec-17 RM'000	Change	31-Dec-18 RM'000	31-Dec-17 RM'000	Change
Revenue	40,117	30,846	30.1%	131,712	107,747	22.2%
Loss before taxation	(3,063)	(232,802)	(98.7%)	(69,931)	(374,412)	(81.3%)

Quarterly review

- During the period, the Upstream Division recorded a revenue of RM40.1 million representing 30.1% increase which is in line with the higher charter activity.
- The Division recorded RM3.1 million loss before taxation in the current quarter representing 98.7% lower loss than the preceding year corresponding quarter mainly due to:
  - RM201 million non-recurring vessel and receivable impairment loss recognised in the preceding year corresponding period;
  - lower depreciation arising from write-down in the carrying values of vessels due to the RM250 million impairment loss recognised in 2017; and
  - RM9 million one-time vessel depreciation adjustment to reflect the vessel residual value at the end of their economic life.

Year-to-date review

- During the period, the Upstream Division recorded a revenue of RM131.7 million, representing 22.2% increase than the preceding year corresponding cumulative period. The increase in revenue is mainly due to higher charter activity.
- During the current cumulative period, the Upstream Division recorded RM69.9 million loss before taxation, a 81.3% improvement from the preceding year corresponding quarter mainly due to:
  - RM251 million non-recurring vessel and receivables impairment loss recognised in 2017;
  - RM24.0 million higher revenue arising from higher charter activities;
  - lower depreciation due to reduction in the vessels carrying value following the RM250 million impairment loss recognised in 2017; and

B1. REVIEW OF PERFORMANCE (CONTINUED)

i. Marine Logistics – Upstream Division (continued)

Year-to-date review (continued)

- lower finance cost incurred during the current cumulative period arising from the reduction of interest rates pursuant to the Division's proposed debt restructuring under the aegis of CDRC.

ii. Marine Logistics – Downstream Division

	3 Months Ended			12 Months Ended		
	31-Dec-18 RM'000	31-Dec-17 RM'000	Change	31-Dec-18 RM'000	31-Dec-17 RM'000	Change
Revenue	11,190	7,799	43.5%	38,309	44,329	(13.6%)
Profit/(loss) before taxation	2,676	(2,547)	*	4,827	(5,955)	*

** The percentage is not meaningful*

Quarterly review

During the current quarter, the Downstream Division recorded revenue of RM11.2 million, representing 43.5% higher revenue than the preceding year corresponding quarter. The increase was in line with the deployment of two (2) new tankers on bareboat and voyage charters in 2018.

Unlike the voyage charter arrangement, most of the tanker operational costs are borne by the charterers under time charter contract. Accordingly, the charter rate for time charter is typically lower than the voyage charter rate.

The Downstream Division recorded RM2.7 million profit before taxation for the current quarter, an improvement from the loss before taxation of RM2.5 million in the preceding year corresponding quarter. The improvement is mainly attributable to:

- 33.4% reduction in direct operating expenses, principally fuel, port and agency fees, which are now borne by the charterers under the time charter arrangement; and

- the conversion of USD6.15 million Cumulative Convertible Redeemable Preference Shares and prepayment of bank borrowings in 2018 which consequently reduced the Division finance cost; and

- the contribution from deployment of two (2) new tankers in 2018.

Year-to-date review

During the cumulative period, the Downstream Division recorded revenue of RM38.3 million, representing 13.6% lower revenue than the preceding year corresponding period. The decrease was in line with the deployment of the vessels mostly on time charter in 2018 instead of on voyage charter in the preceding year.

B1. REVIEW OF PERFORMANCE (CONTINUED)

ii. Marine Logistics – Downstream Division (continued)

<u>Year-to-date review (continued)</u>

The Downstream Division recorded RM4.8 million profit before taxation for the 12-month cumulative period, an improvement from the loss before taxation of RM6 million in the preceding year corresponding period. The improvement is mainly attributable to:

- 45.6% reduction in direct operating expenses, principally fuel, port and agency fees, which are now borne by the charterers under the time charter arrangement;

- the conversion of USD6.15 million Cumulative Convertible Redeemable Preference Shares and prepayments of bank borrowings in 2018 which consequently reduced the Division finance cost; and

- the contribution from deployment of two (2) new tankers in 2018.

B2. MATERIAL CHANGES IN THE QUARTERLY RESULTS COMPARED TO THE RESULTS OF THE PRECEDING PERIOD

	Current period 31-Dec-18 RM'000	Preceeding period 30-Sep-18 RM'000	Change
Revenue	51,307	43,846	17.0%
Operating profit	19,393	21,327	(9.1%)
Earnings/(loss) before interest and taxation	14,054	(4,621)	*
Loss before taxation	(394)	(16,844)	97.7%
Loss after taxation	(588)	(16,955)	96.5%
Profit/(loss) attributable to ordinary equity holders of the parent	148	(11,474)	101.3%

a. **Revenue**

	31-Dec-18 RM'000	30-Sep-18 RM'000	Change
Revenue			
Marine Logistics - Upstream Division	40,117	33,951	18.2%
Marine Logistics - Downstream Division	11,190	9,895	13.1%
	51,307	43,846	17.0%
Fleet utilisation			
Marine Logistics - Upstream Division	73.4%	60.0%	
Marine Logistics - Downstream Division	83.9%	95.5%	

The Group recorded revenue of RM51.3 million for the quarter ended 31 December 2018 (“Q4 2018”), an increase of 17% from the preceding period (“Q3 2018”) mainly due to higher charter activities by the Upstream Divisions, whose fleet utilisation increased to 73.4% in Q4 2018 from 60% in Q3 2018.

b. **(Loss)/profit before taxation**

	31-Dec-18 RM'000	30-Sep-18 RM'000	Change
(Loss)/profit before taxation			
Marine Logistics - Upstream Division	(3,063)	(18,652)	(83.6%)
Marine Logistics - Downstream Division	2,676	1,198	123.4%
Investment Holding and Others	(7)	610	(101.1%)
	(394)	(16,844)	(97.7%)

The Group recorded RM0.4 million loss before taxation in the current quarter compared to RM16.8 million in the preceding quarter. The improvement was mainly due to lower depreciation arising from one-time adjustment of RM9 million to reflect the vessel residual value at the end of the economic life.

B3. FUTURE PROSPECTS

a. Marine Logistics – Upstream Division

The decline in oil price which started in mid-2014 has had a direct and adverse impact on the offshore support vessel industry. Consequently, JMM's vessel utilisation fell from an average of 88% in 2014 to an average of 51% and 48% for 2016 and 2017 respectively. Furthermore, the Daily Charter Rate (DCR) for its vessels also fell by approximately 38% from 2014.

The combination of low charter and utilisation rates has had a devastating effect on revenue. This is exemplified in JMM's turnover when it fell from approximately RM277 million in 2014 to approximately RM145 million and RM107 million in 2016 and 2017 respectively.

Consequently, on 6 February 2018, M&G announced that JMM, the main operating subsidiary of the Company's Upstream Division, has received approval from the Corporate Debt Restructuring Committee ("CDRC") of Bank Negara Malaysia for its application for assistance to mediate between JMM with its financiers. This admission to CDRC is consistent with M&G's strategy to streamline its operations and optimise its financial resources to focus and proactively enhance both its upstream and downstream marine logistics business.

Whilst the mediation through CDRC continues, JMM is actively pursuing available opportunities.

During 2018, JMM was granted new long-term charter contracts and extension of existing contracts for ten (10) vessels as follows:

	New contracts	Extension of existing contracts	Total
Supply Vessel	2	-	2
Anchor Handling Tug Supply ("AHTS")	6	2	8
Total	8	2	10
Contract period	3 years	1 year	

JMM is hopeful that it will be able to secure additional mandates that would enable it to improve its vessel utilisation, which has risen from 48% in 2017 to 60% in 2018.

The Board however, remains cautious on the prospects of the Upstream Division amidst the continuing weak DCR.

b. Marine Logistics – Downstream Division

Demand for the Marine Logistics – Downstream Division's liquid bulk carriers have been fairly robust throughout 2017 and 2018, mirroring the demand for clean petroleum products. Riding on the trend, which is expected to continue in 2019, the Division has added new tankers as follows:

B3. FUTURE PROSPECTS (CONTINUED)

b. Marine Logistics – Downstream Division (continued)

Downstream Division fleet as at 25 February 2019	**No. of tankers**	**Remarks:**
No. of tankers as at 1 January 2018	3	Chemical tankers
Purchase of new tankers	3	Product tankers
No. of tankers as at 25 February 2019	6	
Construction of new chemical tanker	1	To be completed in 2019.

Deployment of tankers:	**Based in Singapore[1]**	**Based in Taiwan[2]**	**Based in Malaysia**	**Total**
No. of tankers deployed	3	1	1	5
No. of tankers undergoing repairs and docking prior to deployment	-	-	1	1

[1] *Based in Singapore, deployed in South East Asian waters*
[2] *Based in Taiwan, deployed in East Asian waters*

Given the continued robust demand for liquid bulk carriers in 2018, the addition of the three vessels to the fleet, funded through internal funds, has contributed positively to the Downstream Division in 2018.

The Group is currently building a new chemical tanker as part of its effort to grow the chemical fleet in anticipation of the potential business opportunities created by the Pengerang Integrated Petroleum Complex, which will be coming onstream in 2019.

In addition to adding more vessels during the year, the Division recorded higher fleet utilisation in 2018 to 91.9% from 84% in the preceding year. The Group is of the opinion that there is further growth opportunities within this segment and will continuously be evaluating opportunities for additional investment in the future. This however, will only be undertaken after a thorough assessment of the projected long-term returns and the available resources.

B4. VARIANCE OF ACTUAL PROFIT FROM PROFIT FORECAST

The Group has not issued any profit forecast for the current financial period and therefore, no comparison is available.

B5. STATUS OF CORPORATE PROPOSALS ANNOUNCED

There is no corporate exercise that has been completed during the current period or is still pending as at the end of the current period.

Status of the utilisation of SILK Disposal proceeds as at 31 December 2018 is as follows:

B5. STATUS OF CORPORATE PROPOSALS ANNOUNCED (CONTINUED)

	Notes	Proposed RM'000	Utilisation RM'000	Balance RM'000	Timeframe from Completion Date
Distribution to shareholders		70,153	(70,153)	-	Within 6 months
Investments	a.	200,000	(81,296)	118,704	Within 24 months
Working capital	b.	111,847	(103,210)	8,637	Within 24 months
Transaction cost	c.	8,000	(6,300)	1,700	Within 6 months
		390,000	(260,959)	129,041	

Notes:

a. Investments

The Group intends to expand the Downstream Division in the near future by adding new vessels to its fleet and serving new geographical areas.

During the current period, the Group has acquired three (3) product tankers of which one (1) was subsequently deployed on a long-term charter in Taiwan and another on voyage charter servicing the South East Asian region. The third vessel is currently under going docking in preparation for commercial operation this year.

b. Working capital

Working capital utilisations comprise mainly of advances to subsidiaries to meet their operational requirements, payments for interim dividends, capital expenditures, income tax and other operating expenses.

c. Transaction cost

Total transaction cost for the SILK Disposal amounting RM6.3 million has been fully paid, and the remaining balance of RM1.7 million allocated to this expenditure will be transferred to working capital purposes.

d. Timeframe from Completion Date

The SILK Disposal was completed on 28 April 2017. Accordingly, the proposed utilization shall be completed by 28 April 2019. In the event that there be any unutilized amount from Investments and Transaction Costs at that date, the amount will subsequently be reclassified for Working Capital purposes.

B6. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

There were no financial instruments with off balance sheet risks as at the date of issue of the report.

B7. REALISED AND UNREALISED PROFITS OF THE GROUP

	31-Dec-18 RM'000	31-Dec-17 RM'000
Total retained profits of the Company and its subsidiaries:		
- realised loss	(294,689)	(177,610)
Less consolidated adjustment	243,463	167,476
Total Group retained profits as per consolidated accounts	(51,226)	(10,134)

B8. AUDIT REPORT OF PRECEDING ANNUAL FINANCIAL STATEMENTS

The audit report on the Group's financial statements for the year ended 31 December 2017 was not subject to any qualification.

BY ORDER OF THE BOARD
SECRETARIES