MARINE & GENERAL BERHAD *(405897-V)*

INTERIM RESULT FOR THE PERIOD ENDED 31 MARCH 2019

Contents:

MARINE & GENERAL BERHAD (405897-V)
(Incorporated in Malaysia)
UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MARCH 2019
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Notes	Individual Quarter Current Period Quarter 31-Mar-19 RM'000	Preceding Year Corresponding Quarter 31-Mar-18 RM'000	Current Period To Date 31-Mar-19 RM'000
Revenue		**46,526**	34,446	216,547
Direct costs		**(44,264)**	(42,071)	(207,408)
Gross profit		**2,262**	(7,625)	9,139
Other income		**1,164**	-	3,111
Other item of expenses:				
Administrative expenses		**(4,505)**	(4,282)	(24,253)
Other expenses		**1**	(385)	(527)
		(4,504)	(4,667)	(24,780)
EBIT		**(1,078)**	(12,292)	(12,530)
Finance income	A8	996	1,758	7,391
Finance cost	A8	(15,229)	(16,666)	(72,575)
Net finance cost		(14,233)	(14,908)	(65,184)
Loss before taxation		**(15,311)**	**(27,200)**	**(77,714)**
Taxation	A9	(26)	(539)	(952)
Loss after taxation		**(15,337)**	(27,739)	(78,666)
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		(938)	2,322	1,566
Total comprehensive loss for the period		**(16,275)**	**(25,417)**	**(77,100)**
Net loss attributable to:				
Owners of the parent		**(11,114)**	(18,647)	(53,825)
Non-controlling interests		**(4,223)**	(9,092)	(24,841)
		(15,337)	(27,739)	(78,666)
Total comprehensive loss attributable to:				
Owners of the parent		**(12,052)**	(16,325)	(52,259)
Non-controlling interests		**(4,223)**	(9,092)	(24,841)
		(16,275)	(25,417)	(77,100)
Loss per share (sen)				
- basic	A10	**(1.54)**	(2.58)	(7.44)

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 MARCH 2019
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	31-Mar-19 RM'000	Audited 31-Dec-17 RM'000
Assets			
Non-current assets			
Property, vessels and equipment		**868,691**	856,736
		868,691	856,736
Current assets			
Inventories		**1,548**	1,076
Other investments	A12	**124,616**	235,776
Trade and other receivables	A13	**38,684**	32,427
Tax recoverable		**438**	-
Cash and bank balances	A14	**21,869**	5,320
		187,155	274,599
Total assets		**1,055,846**	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		**1,566**	-
Accumulated losses		**(63,959)**	(10,134)
		114,819	167,078
Non-controlling interests		**(90,038)**	(68,132)
Total equity		**24,781**	98,946
Non-current liabilities			
Loans and borrowings	A16	**876,906**	825,664
		876,906	825,664
Current liabilities			
Loans and borrowings	A16	**107,529**	165,962
Trade and other payables	A17	**46,446**	40,255
Provision for taxation		**184**	508
		154,159	206,725
Total liabilities		**1,031,065**	1,032,389
Total equity and liabilities		**1,055,846**	1,131,335
Net assets per share attributable to equity holders of the Company (sen)		**15.86**	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 MARCH 2019
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	-	-	-	1,566	-	-	1,566
Loss for the year	-	-	-	-	(53,825)	(24,841)	(78,666)
Total comprehensive loss for the period	-	-	-	1,566	(53,825)	(24,841)	(77,100)
	270,003	-	(92,791)	1,566	(63,959)	(92,973)	21,846
Capital contribution by non-controlling interests	-	-	-	-	-	2,935	2,935
At 31 March 2019	270,003	-	(92,791)	1,566	(63,959)	(90,038)	24,781
At 1 January 2017	175,383	87,470	(92,791)	-	(57,333)	33,112	145,841
Adjustment for effects of Companies Act 2016	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 Plan	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 MARCH 2019

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

		31-Mar-19
		RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Collection of revenue		210,423
Collection of other income		9,932
		220,355
Payment of expenses		(138,002)
Net tax paid		(2,028)
Net cash generated from operating activities		80,325
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceed from disposal of property, vessels and equipment		(103,014)
Contributions from a minority shareholder		2,990
Redemption of deposit and cash management fund		111,160
Purchase of property, vessels and equipment		155
Net cash used in investing activities		11,291
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of borrowings		(27,550)
Payment of finance costs		(47,517)
Net cash generated from financing activities		(75,067)
NET INCREASE IN CASH AND CASH EQUIVALENTS		16,549
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD		5,320
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD	(a)	21,869

(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-Mar-19
	RM'000
Cash and bank balances	14,905
Deposits with licensed financial institutions	6,964
	21,869

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
▪ Amendments to MFRS 3, *Business Combinations – Definition of a Business*	1 January 2020
▪ Amendments to MFRS 101, *Presentations of Financial Statements* and MFRS 108, *Accounting Policies*, *Changes in Accounting Estimates and Errors – Definition of Material*	1 January 2020
▪ 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 Venture*	To be confirmed

A2. BASIS OF PREPARATION (CONTINUED)

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 27 May 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	Investment Holding and Others	Adjustments	Total
	31-Mar-19	31-Mar-19	31-Mar-19	31-Mar-19	31-Mar-19
	RM'000	RM'000	RM'000	RM'000	RM'000
31 March 2019 (3-month results):					
Revenue					
External customers	35,276	11,250	-	-	46,526
Inter-segment	-	-	-	-	-
Total revenue	**35,276**	**11,250**	**-**	**-**	**46,526**
Segment profit/(loss) before taxation	**(14,512)**	**(531)**	**(268)**	**-**	**(15,311)**
31 March 2018 (3-month results):					
Revenue					
External customers	26,330	8,116	-	-	34,446
Inter-segment	-	-	1,854	(1,854)	-
Total revenue	**26,330**	**8,116**	**1,854**	**(1,854)**	**34,446**
Segment profit/(loss) before taxation	**(30,283)**	**(300)**	**(7,292)**	**10,675**	**(27,200)**
31 March 2019 (15-month results):					
Revenue					
External customers	166,988	49,559	-	-	216,547
Inter-segment	-	-	1,854	(1,854)	-
Total revenue	**166,988**	**49,559**	**1,854**	**(1,854)**	**216,547**
Segment profit/(loss) before taxation	**(84,443)**	**2,697**	**(6,643)**	**10,675**	**(77,714)**
Segment assets	**758,803**	**175,653**	**262,862**	**(141,472)**	**1,055,846**
Segment liabilities	**1,068,546**	**178,264**	**3,514**	**(219,259)**	**1,031,065**

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 31-Mar-19 RM'000	3 months ended 31-Mar-18 RM'000	Current Period To Date 31-Mar-19 RM'000
Interest income	996	1,758	7,391
Interest expenses	(15,229)	(16,666)	(72,575)
Depreciation of property, vessels and equipment	(19,837)	(21,942)	(97,006)
Impairment on trade receivables	-	(372)	(372)
Rental expenses	(152)	(150)	(758)
Net foreign exchange loss	(468)	(72)	(688)

A9. INCOME TAX

	Current Quarter 3 months ended 31-Mar-19 RM'000	3 months ended 31-Mar-18 RM'000	Current Period To Date 31-Mar-19 RM'000
Current period tax charge:			
Malaysian income tax	26	539	952

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 the rate of 3% of their profit before taxation in accordance with the Labuan Offshore Business Activity Tax Act, 1990.

A10. LOSS PER SHARE

Basic loss per share amounts are calculated by dividing 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 loss and share data used in the computation of basic loss per share:

	Current Quarter 3 months ended 31-Mar-19	3 months ended 31-Mar-18	Current Period To Date 31-Mar-19
Basic loss per share:			
Loss net of tax attributable to owners of the parent (RM'000)	(11,114)	(18,647)	(53,825)
Weighted average number of ordinary shares in issue ('000)	723,879	723,879	723,879
Basic loss per share (sen)	(1.54)	(2.58)	(7.44)

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-Mar-19	31-Dec-17
	RM'000	RM'000
Financial assets at fair value through profit or loss		
- Held for trading	124,616	135,452
Deposits placed with licensed banks	-	100,324
	124,616	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-Mar-19	31-Dec-17
	RM'000	RM'000
Trade receivables	25,460	22,561
Other receivables	13,224	9,866
	38,684	32,427

The ageing analysis of the trade receivables is as follows:

	31-Mar-19	31-Dec-17
	RM'000	RM'000
Not past due	13,215	12,014
Past due 1-30 days	8,368	5,715
Past due 31-90 days	2,495	4,321
Past due more than 90 days	2,373	1,519
	26,451	23,569
Allowance for impairment loss	(991)	(1,008)
	25,460	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-Mar-19	31-Dec-17
	RM'000	RM'000
Cash and bank balances	14,905	1,214
Deposits placed with licensed bank	6,964	4,106
Total cash and cash equivalents	21,869	5,320

Included in the deposits placed with licensed financial institutions is RM2,622,000 (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-Mar-19	31-Dec-17
	RM'000	RM'000
Secured short-term borrowings:		
Term loans	61,479	118,308
Hire purchase financings	50	78
Overdrafts	6,000	9,576
Revolving credits	40,000	38,000
Total short term borrowings	107,529	165,962
Secured long-term borrowings:		
Term loans	876,806	815,634
Hire purchase financings	100	30
Revolving credits	-	10,000
Total long term borrowings	876,906	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-Mar-19 RM'000	31-Dec-17 RM'000
Trade payables	30,282	31,357
Amount due to directors	-	1,820
Accruals and other payables	16,164	7,078
	46,446	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 have been proposed or paid in the financial period under review.

A20. COMMITMENTS

	31-Mar-19 RM'000	31-Dec-17 RM'000
Capital expenditure		
Approved and contracted for:		
Property, vessel and equipment	41,334	-
Approved but not contracted for:		
Property, vessels and equipment	38,808	135,650

A21. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Contingent liabilities of the Group comprise the followings:

		31-Mar-19	31-Dec-17
		RM'000	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 15-month current period-to-date compared to the corresponding periods of the previous financial year are as follows:

	Current Period Quarter 31-Mar-19 RM'000	Preceding Year Corresponding Quarter 31-Mar-18 RM'000	Variances	Change	Current Period To Date (15-month) 31-Mar-18 RM'000
Revenue	46,526	34,446	12,080	35.1%	216,547
Operating profit	2,262	(7,625)	9,887	129.7%	9,139
Loss before interest and taxation	(1,078)	(12,292)	11,214	91.2%	(12,530)
Loss before taxation	(15,311)	(27,200)	11,889	43.7%	(77,714)
Loss after taxation	(15,337)	(27,739)	12,402	44.7%	(78,666)
Loss attributable to ordinary equity holders of the parent	(11,114)	(18,647)	7,533	40.4%	(53,825)
Fleet utilisation:					
Marine Logistics - Upstream Division	65.0%	47.0%			62.0%
Marine Logistics - Downstream Division	91.6%	100.0%			91.8%

During the current period quarter, the Group recorded RM46.5 million revenue, a 35.1% improvement from the preceding year corresponding quarter. The increase is in line with the higher charter activity of both Upstream and Downstream Division.

Consequently, the Group recorded a lower loss before taxation of RM15.3 million in the current quarter, an improvement from the loss of RM27.2 million recorded in the preceding year corresponding quarter.

i. Marine Logistics – Upstream Division

	Current Period Quarter 31-Mar-19 RM'000	Preceding Year Corresponding Quarter 31-Mar-18 RM'000	Change	Current Period To Date (15-month) 31-Mar-19 RM'000
Revenue	35,276	26,330	34.0%	166,988
Loss before taxation	(14,512)	(30,283)	(52.1%)	(84,443)

- During the current period, the Upstream Division recorded a revenue of RM35.3 million representing 34.0% increase in line with the higher charter activity.
- The Division recorded RM14.5 million loss before taxation in the current quarter representing 52.1% lower loss than the preceding year corresponding quarter. The improvement is mainly due to:
  - higher charter activity, which in turn generated higher charter revenue;
  - lower finance cost incurred during the current period quarter arising from the reduction of interest rates pursuant to the proposed debt restructuring; and
  - lower vessel depreciation expenses arising from write-down in the carrying value of vessels due to the impairment loss recognised in 2017.

B1. REVIEW OF PERFORMANCE (CONTINUED)

ii. Marine Logistics – Downstream Division

	Current Period Quarter 31-Mar-19 RM'000	Preceding Year Corresponding Quarter 31-Mar-18 RM'000	Change	Current Period To Date (15-month) 31-Mar-19 RM'000
Revenue	11,250	8,116	38.6%	49,559
Loss before taxation	(531)	(300)	*	2,697

**The percentage is not meaningful*

During the current quarter, the Downstream Division recorded revenue of RM11.3 million, representing 38.6% 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.

Nevertheless, the Downstream Division continued to record loss before taxation during the current quarter mainly due to additional maintenance, repairs, fuel costs and port charges arising from the annual calibration of machineries and initial deployment of one tanker under voyage charter.

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

	Current period 31-Mar-19 RM'000	Preceeding period 31-Dec-18 RM'000	Change
Revenue	46,526	51,307	(9.3%)
Operating profit	2,262	17,775	(87.3%)
(Loss)/Earnings before interest and taxation	(1,078)	12,436	(108.7%)
Loss before taxation	(15,311)	(2,012)	*
Loss after taxation	(15,337)	(2,206)	*
Loss attributable to ordinary equity holders of the parent	(11,114)	(1,470)	*

** The percentage is not meaningful*

a. Revenue

	31-Mar-19 RM'000	31-Dec-18 RM'000	Change
Revenue			
Marine Logistics - Upstream Division	35,276	40,117	(12.1%)
Marine Logistics - Downstream Division	11,250	11,190	0.5%
	46,526	51,307	(9.3%)
Fleet utilisation			
Marine Logistics - Upstream Division	65.0%	73.4%	
Marine Logistics - Downstream Division	91.6%	83.9%	

The Group recorded revenue of RM46.5 million for the quarter ended 31 March 2019, a decrease of 9.3% from the preceding period mainly due to lower charter activities by the Upstream Division. The division recorded a lower fleet utilisation of 65% in the current period compared to 73.4% in the preceding year as two (2) of the operating vessels were docked for repairs and maintenance whilst two (2) other vessels which were on call-out charter contracts recorded lower charter days due to monsoon season.

b. Loss before taxation

	31-Mar-19 RM'000	31-Dec-18 RM'000	Change
Loss before taxation			
Marine Logistics - Upstream Division	(14,512)	(3,063)	373.8%
Marine Logistics - Downstream Division	(531)	1,058	*
Investment Holding and Others	(268)	(7)	*
	(15,311)	(2,012)	*

** The percentage is not meaningful*

The Group recorded RM15.3 million loss before taxation in the current quarter compared to RM2.0 million in the preceding quarter. The increase was mainly due to:

- lower revenue earned during the current quarter; and
- RM9.0 million non-recurring vessel depreciation adjustment to reflect the vessel residual value at the end of their economic life in Q4 2018.

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 pursuing to secure additional charters that would enable it to improve its vessel utilisation, which has already 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 27-May-19	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 27 May 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 online in 2019. In addition to adding more capacity during the year, the Division recorded higher fleet utilisation in 2018 to 91.6% from 83.9% 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 March 2019 is as follows:

B5. STATUS OF CORPORATE PROPOSALS ANNOUNCED (CONTINUED)

	Notes	Proposed RM'000	Utilisation RM'000	Balance RM'000	Revised Timeframe
Distribution to shareholders		70,153	(70,153)	-	Within 6 months
Investments	a.	200,000	(158,040)	41,960	Within 36 months
Working capital	b.	111,847	(46,096)	67,451	Within 36 months
Transaction cost	c.	8,000	(6,300)	-	Within 6 months
		390,000	(280,589)	109,411	

Notes:

a. Investments

The Board intends to utilise a portion of the proceeds as follows:

(i) to enhance and strengthen the Group's existing offshore marine support services business and investment in related businesses in the oil and gas segment; and

(ii) investment opportunities which have yet to be identified at this juncture. M&G Group is continuously exploring viable investment opportunities. The Proposed Disposal will provide the Group with the ready funds to capitalise on such opportunities as and when they arise.

As at 31 March 2019, the Group has utilised RM58 million on strengthening the Group's offshore marine support services business and a further RM100 million on the acquisition of three (3) clean petroleum product ("CPP") tankers and construction of a new chemical tanker.

During the current period, one (1) of the CPP tanker was deployed on a long-term charter in Taiwan and another on voyage charter servicing the South East Asian region. The third vessel is currently undergoing docking in preparation for commercial operation in the next financial 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.

The total balance of RM67.45 million comprised of RM65.751 million of unutilised working capital and RM1.7 million unutilised expenses for the SILK Disposal transaction cost.

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 has been reclassified to working capital purposes.

d. Timeframe from Completion Date

As disclosed on 26 April 2019, the Group has resolved to extend the initial timeframe of 24 months for another 12 months ("Revised Timeframe") to utilise the balance of proceeds which is earmarked for investment and working capital. The Revised Timeframe will enable the Board to further identify and evaluate the feasibility of the potential investments and formulating Group strategies holistically.

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-Mar-19 RM'000	31-Dec-17 RM'000
Total retained profits of the Company and its subsidiaries:		
- realised loss	(306,278)	(177,610)
Less consolidated adjustment	242,319	167,476
Total Group retained profits as per consolidated accounts	(63,959)	(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.

B9. PRIOR PERIOD ADJUSTMENT

In the preceding period, the quarter ended 31 December 2018, the Group has inadvertently consolidated direct costs of a Downstream Division subsidiary without translating the amount from its reporting currency in United States Dollars to Ringgit Malaysia.

For the purpose of comparison with the preceding period in note B2, results of the Group and the Downstream Division for the quarter ended 31 December 2018 have been restated as follows:

	Group			Downstream Division		
	As reported RM'000	Adjustment RM'000	Adjusted RM'000	As reported RM'000	Adjustment RM'000	Adjusted RM'000
Revenue	51,307	-	51,307	11,190	-	11,190
Operating profit	19,393	(1,618)	17,775	3,910	(1,618)	2,292
Earning before interest and taxation	14,054	(1,618)	12,436	3,161	(1,618)	1,543
(Loss)/profit before taxation	(394)	(1,618)	(2,012)	2,676	(1,618)	1,058
(Loss)/profit after taxation	(588)	(1,618)	(2,206)	2,505	(1,618)	887
Profit/(loss) attributable to ordinary equity holders of the parent	148	(1,618)	(1,470)	195	(1,618)	(1,423)
Earning/(loss) per share	0.02	(0.22)	(0.20)			

BY ORDER OF THE BOARD
SECRETARIES