



MARINE & GENERAL
BERHAD

MARINE & GENERAL BERHAD (405897-V)

INTERIM RESULT FOR THE PERIOD ENDED 30 APRIL 2019

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MARINE & GENERAL BERHAD (405897-V)

(Incorporated in Malaysia)

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 APRIL 2019
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	Notes	Current Period (1 month) 30-Apr-19 RM'000	Current Period To Date (16 months) 30-Apr-19 RM'000
Revenue		16,207	232,753
Direct costs		(17,146)	(224,523)
Gross profit		(939)	8,230
Other income		1,227	4,183
Other item of expenses:			
Administrative expenses		234	(24,048)
Other expenses		(17,526)	(17,909)
		(17,292)	(41,957)
EBIT		(17,004)	(29,544)
Finance income	A8	1,024	8,415
Finance cost	A8	(15,791)	(88,366)
Net finance cost		(14,767)	(79,951)
Loss before taxation		(31,771)	(109,495)
Taxation	A9	(4)	(957)
Loss after taxation		(31,775)	(110,452)
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		(3,143)	(1,577)
Total comprehensive loss for the period		(34,918)	(112,029)
Net loss attributable to:			
Owners of the parent		(22,512)	(76,348)
Non-controlling interests		(9,263)	(34,104)
		(31,775)	(110,452)
Total comprehensive loss attributable to:			
Owners of the parent		(25,655)	(77,925)
Non-controlling interests		(9,263)	(34,104)
		(34,918)	(112,029)
Loss per share (sen)			
- basic	A10	(3.11)	(10.55)

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 30 APRIL 2019
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	30-Apr-19 RM'000	Audited 31-Dec-17 RM'000
Assets			
Non-current assets			
Property, vessels and equipment		852,024	856,736
		<u>852,024</u>	<u>856,736</u>
Current assets			
Inventories		1,068	1,076
Other investments	A12	114,323	235,776
Trade and other receivables	A13	41,388	32,427
Tax recoverable		536	-
Cash and bank balances	A14	25,381	5,320
		<u>182,696</u>	<u>274,599</u>
Total assets		<u>1,034,720</u>	<u>1,131,335</u>
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		(1,577)	-
Accumulated losses		(86,482)	(10,134)
		<u>89,153</u>	<u>167,078</u>
Non-controlling interests		(99,301)	(68,132)
Total equity		<u>(10,148)</u>	<u>98,946</u>
Non-current liabilities			
Loans and borrowings	A16	919,275	825,664
		<u>919,275</u>	<u>825,664</u>
Current liabilities			
Loans and borrowings	A16	77,711	165,962
Trade and other payables	A17	47,724	40,255
Provision for taxation		158	508
		<u>125,593</u>	<u>206,725</u>
Total liabilities		<u>1,044,868</u>	<u>1,032,389</u>
Total equity and liabilities		<u>1,034,720</u>	<u>1,131,335</u>
Net assets per share attributable to equity holders of the Company (sen)			
		<u>12.32</u>	<u>23.08</u>

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 30 APRIL 2019

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	← Attributable to equity holders of the Company →						Total
	← 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	RM'000
At 1 January 2018	270,003	-	(92,791)	-	(10,134)	(68,132)	98,946
Foreign currency translation differences for foreign operations	-	-	-	(1,577)	-	-	(1,577)
Loss for the year	-	-	-	-	(76,348)	(34,104)	(110,452)
Total comprehensive loss for the period	-	-	-	(1,577)	(76,348)	(34,104)	(112,029)
	270,003	-	(92,791)	(1,577)	(86,482)	(102,236)	(13,083)
Capital contribution by non-controlling interests	-	-	-	-	-	2,935	2,935
At 30 April 2019	270,003	-	(92,791)	(1,577)	(86,482)	(99,301)	(10,148)
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 30 APRIL 2019****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

	30-Apr-19
	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES	
Collection of revenue	221,216
Collection of other income	11,590
	<u>232,806</u>
Payment of expenses	(145,437)
Net tax paid	(2,137)
Net cash generated from operating activities	<u>85,232</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceed from disposal of property, vessels and equipment	155
Contributions from a minority shareholder	2,990
Redemption of deposit and cash management fund	121,453
Purchase of property, vessels and equipment	(110,888)
Net cash used in investing activities	<u>13,710</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Repayment of borrowings	(28,147)
Payment of finance costs	(50,734)
Net cash generated from financing activities	<u>(78,881)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	20,061
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD	<u>5,320</u>
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD	(a) <u>25,381</u>

(a) Cash and cash equivalents

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

	30-Apr-19
	RM'000
Cash and bank balances	18,422
Deposits with licensed financial institutions	6,959
	<u>25,381</u>

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, <i>Business Combinations – Definition of a Business</i>	1 January 2020
▪ Amendments to MFRS 101, <i>Presentations of Financial Statements</i> and MFRS 108, <i>Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material</i>	1 January 2020
▪ MFRS 17, <i>Insurance Contracts</i>	1 January 2021
▪ Amendments to MFRS 10, <i>Consolidated Financial Statements</i> and MFRS 128, <i>Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	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 26 June 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
30 April 2019 (1-month results):					
Revenue					
External customers	12,664	3,543	-	-	16,207
Inter-segment	-	-	-	-	-
Total revenue	12,664	3,543	-	-	16,207
Segment profit/(loss)					
before taxation	(32,406)	45	(2,924)	3,514	(31,771)
30 April 2019 (16-month results):					
Revenue					
External customers	179,652	53,101	-	-	232,753
Inter-segment	-	-	1,854	(1,854)	-
Total revenue	179,652	53,101	1,854	(1,854)	232,753
Segment profit/(loss)					
before taxation	(116,859)	2,742	(9,567)	14,189	(109,495)
Segment assets	741,476	176,973	259,015	(142,744)	1,034,720
Segment liabilities	1,086,656	179,781	3,498	(225,067)	1,044,868

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 Period (1 month) 30-Apr-19 RM'000	Current Period To Date (16 months) 30-Apr-19 RM'000
Interest income	1,024	8,415
Interest expenses	(15,791)	(88,366)
Depreciation of property, vessels and equipment	(6,661)	(103,667)
Impairment loss on property, vessels and equipment	(17,770)	(17,770)
Impairment on trade receivables	301	(72)
Rental expenses	(50)	(808)
Net foreign exchange loss	17	(671)

A9. INCOME TAX

	Current Period (1 month) 30-Apr-19 RM'000	Current Period To Date (16 months) 30-Apr-19 RM'000
Current period tax charge:		
Malaysian income tax	<u>4</u>	<u>957</u>

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 Period (1 month) 30-Apr-19	Current Period To Date (16 months) 30-Apr-19
Basic loss per share:		
Loss net of tax attributable to owners of the parent (RM'000)	(22,512)	(76,348)
Weighted average number of ordinary shares in issue ('000)	723,879	723,879
Basic loss per share (sen)	<u>(3.11)</u>	<u>(10.55)</u>

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

	30-Apr-19	31-Dec-17
	RM'000	RM'000
Financial assets at fair value through profit or loss - Held for trading	114,323	135,452
Deposits placed with licensed banks	-	100,324
	<u>114,323</u>	<u>235,776</u>

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

A13. TRADE AND OTHER RECEIVABLES

	30-Apr-19	31-Dec-17
	RM'000	RM'000
Trade receivables	27,403	22,561
Other receivables	13,985	9,866
	<u>41,388</u>	<u>32,427</u>

The ageing analysis of the trade receivables is as follows:

	30-Apr-19	31-Dec-17
	RM'000	RM'000
Not past due	12,652	12,014
Past due 1-30 days	11,380	5,715
Past due 31-90 days	3,176	4,321
Past due more than 90 days	2,774	1,519
	<u>29,982</u>	<u>23,569</u>
Allowance for impairment loss	(2,579)	(1,008)
	<u>27,403</u>	<u>22,561</u>

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:

	30-Apr-19	31-Dec-17
	RM'000	RM'000
Cash and bank balances	18,422	1,214
Deposits placed with licensed bank	6,959	4,106
Total cash and cash equivalents	<u>25,381</u>	<u>5,320</u>

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:

	30-Apr-19 RM'000	31-Dec-17 RM'000
Secured short-term borrowings:		
Term loans	61,660	118,308
Hire purchase financings	51	78
Overdrafts	6,000	9,576
Revolving credits	10,000	38,000
Total short term borrowings	<u>77,711</u>	<u>165,962</u>
Secured long-term borrowings:		
Term loans	889,174	815,634
Hire purchase financings	101	30
Revolving credits	30,000	10,000
Total long term borrowings	<u>919,275</u>	<u>825,664</u>
Total borrowings	<u>996,986</u>	<u>991,626</u>

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

	30-Apr-19	31-Dec-17
	RM'000	RM'000
Trade payables	30,751	31,357
Amount due to directors	-	1,820
Accruals and other payables	16,973	7,078
	<u>47,724</u>	<u>40,255</u>

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

	30-Apr-19	31-Dec-17
	RM'000	RM'000
Capital expenditure		
Approved and contracted for:		
Property, vessel and equipment	<u>39,360</u>	<u>-</u>
Approved but not contracted for:		
Property, vessels and equipment	<u>37,500</u>	<u>135,650</u>

A21. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Contingent liabilities of the Group comprise the followings:

	30-Apr-19	31-Dec-17
	RM'000	RM'000
Litigation (unsecured)	(a) <u>17,800</u>	<u>17,800</u>

(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.

A21. CONTINGENT LIABILITIES AND CONTINGENT ASSETS (CONTINUED)

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 period under review and the 16-month current period-to-date are as follows:

	Current Period (1 month) 30-Apr-19 RM'000	Current Period To Date (16 months) 30-Apr-19 RM'000
Revenue	16,207	232,753
Operating (loss) / profit	(939)	8,230
Loss before interest and taxation	(17,004)	(29,544)
Loss before taxation	(31,771)	(109,495)
Loss after taxation	(31,775)	(110,452)
Loss attributable to ordinary equity holders of the parent	(22,512)	(76,348)
Fleet utilisation:		
Marine Logistics - Upstream Division	71.7%	62.5%
Marine Logistics - Downstream Division	73.3%	90.5%

During the periods under review, the Group recorded RM16.2 million and RM232.8 million revenue respectively, reflected by strong charter activities as indicated by the fleet utilisation rates. The Upstream Division continued as the main contributor, generating 78% of the Group revenue, while the Downstream Division generated the balance 22%.

Nevertheless, the Group was subject to the continuing market oversupply in the offshore support vessel segment served by the Upstream Division where rates continue at weak levels despite healthy fleet utilisation.

Accordingly, the Group recorded loss before taxation of RM31.8 million in the current period and RM109.5 million in the current period to date, having made additional vessel impairment charge of RM18 million in April 2019.

i. Marine Logistics – Upstream Division

	Current Period (1 month) 30-Apr-19 RM'000	Current Period To Date (16 months) 30-Apr-19 RM'000
Revenue	12,664	179,652
Loss before taxation	(32,406)	(116,859)

B1. REVIEW OF PERFORMANCE (CONTINUED)

i. Marine Logistics – Upstream Division (continued)

The Upstream Division owns and operates a fleet of 21 supply vessels and anchor handling tug and supply vessels. During the periods under review, the Division deployed 17 vessels, achieving 72% and 62% utilisation for the current period and the period to date.

Financially, the Division recorded:

- a revenue of RM12.7 million in the current period and RM179.7 million in the period to date.
- loss before taxation of RM32.4 million for the current period and RM116.9 million for the period to date.

Despite achieving a healthy utilisation rate, the Division was affected by the market oversupply as a result of the continuing weak oil and gas prices. Accordingly, charter rates remained low during the periods contributing to an operating loss for the current period and marginal operating profit for the period to date. The results were further exacerbated by an additional vessel impairment charge of RM18 million made during the current period.

ii. Marine Logistics – Downstream Division

	Current Period (1 month) 30-Apr-19 RM'000	Current Period To Date (16 months) 30-Apr-19 RM'000
Revenue	3,543	53,101
Profit before taxation	45	2,742

Following the continued robust demand for liquid bulk carriers in 2018, the Downstream Division has acquired three product tankers during the financial period and is currently building a new chemical tanker to complement its existing fleet of three chemical tankers.

Of the six available tankers, the Division deployed four tankers in the current period after taking into account one tanker scheduled for special maintenance (once every 5 years) and another undergoing repairs prior to initial commissioning. Consequently, the Division recorded 73% utilization of its fleet during the current period. Excluding one tanker under repairs prior to initial commissioning, the Division deployed five of the six tankers during the current period to date, attaining 91% fleet utilization.

The Division recorded revenue of RM3.5 million and profit before taxation of RM45,000 during the current period, and recorded revenue of RM53.1 million and profit before taxation of RM2.7 million during the current period to date.

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

	Current period (1 month) 30-Apr-19 RM'000	Preceding period (3 months) 31-Mar-19 RM'000
Revenue	16,207	46,526
Operating (loss) / profit	(939)	2,262
Loss before interest and taxation	(17,004)	(1,078)
Loss before taxation	(31,771)	(15,311)
Loss after taxation	(31,775)	(15,337)
Loss attributable to ordinary equity holders of the parent	(22,512)	(11,114)

a. Revenue

	30-Apr-19 RM'000	31-Mar-19 RM'000
Revenue		
Marine Logistics - Upstream Division	12,664	35,276
Marine Logistics - Downstream Division	3,543	11,250
	<u>16,207</u>	<u>46,526</u>
Fleet utilisation		
Marine Logistics - Upstream Division	71.7%	68.6%
Marine Logistics - Downstream Division	<u>73.3%</u>	<u>91.6%</u>

b. Loss before taxation

	30-Apr-19 RM'000	31-Mar-19 RM'000
(Loss)/profit before taxation		
Marine Logistics - Upstream Division	(32,406)	(14,512)
Marine Logistics - Downstream Division	45	(531)
Investment Holding and Others	(2,924)	(268)
Adjustments	3,514	-
	<u>(31,771)</u>	<u>(15,311)</u>

Following the change of financial year-end from 31 December to 30 April with effect from the current financial period, the current financial period covers a 16-month period from 1 January 2018 to 30 April 2019.

Accordingly, the current period under review comprises a one-month period ended 30 April 2019 whilst the comparative / immediate preceding period comprises 3 months / quarter ended 31 March 2019.

Despite operating for one month in April 2019, the Group recorded higher loss before taxation of RM31.8 million than RM15.3 million recorded in the immediate preceding quarter, mainly as a result of RM18 million non-recurring vessel impairment charge incurred in April 2019.

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 62% in 2019.

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

B3. FUTURE PROSPECTS (CONTINUED)

b. Marine Logistics – Downstream Division

Demand for the Marine Logistics – Downstream Division’s liquid bulk carriers has 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:

Downstream Division fleet as at 26-Jun-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 26 June 2019	6	
Construction of new chemical tanker	1	To be completed in 2019.

Deployment of tankers:	Based in Singapore¹	Based in Taiwan²	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 2019.

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 2019 to 91% 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 30 April 2019 is as follows:

		Proposed	Utilisation	Balance	
	Notes	RM'000	RM'000	RM'000	Revised Timeframe
Distribution to shareholders		70,153	(70,153)	-	Within 6 months
Investments	a.	200,000	(162,217)	37,783	Within 36 months
Working capital	b.	111,847	(47,756)	65,791	Within 36 months
Transaction cost	c.	8,000	(6,300)	-	Within 6 months
		<u>390,000</u>	<u>(286,426)</u>	<u>103,574</u>	

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 30 April 2019, the Group has utilised RM61.5 million on strengthening the Group's offshore marine support services business and a further RM100.7 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 RM65.8 million comprised of RM64.1 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.

B5. STATUS OF CORPORATE PROPOSALS ANNOUNCED (CONTINUED)

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

	30-Apr-19	31-Dec-17
	RM'000	RM'000
Total retained profits of the Company and its subsidiaries:		
- realised loss	(334,027)	(177,610)
Less consolidated adjustment	<u>247,545</u>	<u>167,476</u>
Total Group retained profits as per consolidated accounts	<u>(86,482)</u>	<u>(10,134)</u>

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**