MARINE & GENERAL BERHAD

MARINE & GENERAL BERHAD *(405897-V)*

INTERIM RESULT FOR THE PERIOD ENDED 31 JULY 2019

Contents:

MARINE & GENERAL BERHAD (405897-V)
(Incorporated in Malaysia)
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	Notes	Current Year Quarter 31-Jul-19 RM'000
Revenue		**53,508**
Direct costs		**(48,037)**
Gross profit		**5,471**
Other income		**4**
Other item of expenses:		
Administrative expenses		**(4,851)**
Other expenses		**(36)**
		(4,887)
EBIT		**588**
Finance income	A8	1,001
Finance cost	A8	(14,513)
Net finance cost		(13,512)
Loss before taxation		**(12,924)**
Taxation	A9	(91)
Loss after taxation		**(13,015)**
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		(83)
Total comprehensive loss for the period		**(13,098)**
Net loss attributable to:		
Owners of the parent		**(8,434)**
Non-controlling interests		**(4,581)**
		(13,015)
Total comprehensive loss attributable to:		
Owners of the parent		**(8,517)**
Non-controlling interests		**(4,581)**
		(13,098)
Loss per share (sen)		
- basic	A10	**(1.17)**

The condensed consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the financial year ended 30 April 2019 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 JULY 2019
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	31-Jul-19 RM'000	Audited 30-Apr-19 RM'000
Assets			
Non-current assets			
Property, vessels and equipment		**844,758**	852,024
		844,758	852,024
Current assets			
Inventories		**9,242**	6,890
Other investments	A12	**89,330**	114,323
Trade and other receivables	A13	**39,696**	36,206
Tax recoverable		**1,716**	3,914
Cash and bank balances	A14	**35,831**	25,397
		175,815	186,730
Total assets		**1,020,573**	1,038,754
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		**(2,306)**	(2,223)
Accumulated losses		**(92,021)**	(83,587)
		82,885	91,402
Non-controlling interests		**(104,876)**	(100,295)
Total equity		**(21,991)**	(8,893)
Non-current liabilities			
Loans and borrowings	A16	**967,933**	50,702
		967,933	50,702
Current liabilities			
Loans and borrowings	A16	**17,554**	945,426
Trade and other payables	A17	**56,788**	51,316
Provision for taxation		**289**	203
		74,631	996,945
Total liabilities		**1,042,564**	1,047,647
Total equity and liabilities		**1,020,573**	1,038,754
Net assets per share attributable to equity holders of the Company (sen)		**11.45**	12.63

The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the financial year ended 30 April 2019 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 JULY 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 May 2019	270,003	-	(92,791)	(2,223)	(83,587)	(100,295)	(8,893)
Foreign currency translation differences for foreign operations	-	-	-	(83)	-	-	(83)
Loss for the period	-	-	-	-	(8,434)	(4,581)	(13,015)
Total comprehensive loss for the period	-	-	-	(83)	(8,434)	(4,581)	(13,098)
At 31 July 2019	270,003	-	(92,791)	(2,306)	(92,021)	(104,876)	(21,991)
At 1 January 2018, as previously reported	270,003	-	(92,791)	-	(10,134)	(68,132)	98,946
Adjustment on intial application of MFRS 9, net of tax					(1,976)	(847)	(2,823)
At 1 January 2018, as restated	270,003	-	(92,791)	-	(12,110)	(68,979)	96,123
Foreign currency translation differences for foreign operations	-	-	-	(2,223)	-	-	(2,223)
Loss for the period	-	-	-	-	(71,477)	(34,251)	(105,728)
Total comprehensive loss for the period	-	-	-	(2,223)	(71,477)	(34,251)	(107,951)
Acquisition of subsidiary	-	-	-	-	-	2,935	2,935
At 30 April 2019	270,003	-	(92,791)	(2,223)	(83,587)	(100,295)	(8,893)

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the financial year ended 30 April 2019 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 JULY 2019
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

		31-Jul-19
		RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Collection of revenue		52,527
Collection of other income		1,104
		53,631
Payment of expenses		(67,277)
Net tax paid		2,194
Net cash generated from operating activities		(11,452)
CASH FLOWS FROM INVESTING ACTIVITIES		
Redemption of deposit and cash management fund		24,993
Purchase of property, vessels and equipment		(9,739)
Net cash used in investing activities		15,254
CASH FLOWS FROM FINANCING ACTIVITIES		
Drawdown of borrowings		15,388
Repayment of borrowings		(1,803)
Payment of finance costs		(6,953)
Net cash generated from financing activities		6,632
NET INCREASE IN CASH AND CASH EQUIVALENTS		10,434
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD		25,397
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD	(a)	35,831

(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-Jul-19
	RM'000
Cash and bank balances	28,557
Deposits with licensed financial institutions	7,274
	35,831

The condensed consolidated statement of cash flows should be read in conjunction with the audited financial statements for the financial year ended 30 April 2019 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

The Group has changed its financial year end from 31 December to 30 April effective from the financial period ended 30 April 2019.

The current financial period under review covers three (3) months period from 1 May 2019 to 31 July 2019 and represents the first period subsequent to the change of the Group's financial year end. Accordingly, no comparative results and cash flows are presented.

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 30 April 2019.

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

A2. BASIS OF PREPARATION (CONTINUED)

b. Standards issued but not yet effective (continued)

▪ 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

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 20 September 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 RM'000	Marine Logistics - Downstream RM'000	Investment Holding and Others RM'000	Adjustments RM'000	Total RM'000
31 July 2019 (3-month results):					
Revenue					
External customers	40,392	13,116	-	-	53,508
Inter-segment	-	-	-	-	-
Total revenue	**40,392**	**13,116**	**-**	**-**	**53,508**
Segment profit/(loss) before taxation	**(14,333)**	**1,894**	**(485)**	**-**	**(12,924)**
Segment assets	**737,796**	**186,044**	**263,272**	**(166,539)**	**1,020,573**
Segment liabilities	**1,095,912**	**187,260**	**3,536**	**(244,144)**	**1,042,564**

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 31-Jul-19 RM'000
Interest income	1,001
Interest expenses	(14,513)
Depreciation of property, vessels and equipment	(19,746)
Rental expenses	(146)
Net foreign exchange loss	(56)

A9. INCOME TAX

	Current Period 31-Jul-19 RM'000
Current period tax charge:	
Malaysian income tax	91

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 31-Jul-19
Basic loss per share:	
Loss net of tax attributable to owners of the parent (RM'000)	(8,434)
Weighted average number of ordinary shares in issue ('000)	723,879
Basic loss per share (sen)	(1.17)

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-Jul-19 RM'000	30-Apr-19 RM'000
Financial assets at fair value through profit or loss	89,330	114,323

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

A13. TRADE AND OTHER RECEIVABLES

	31-Jul-19	30-Apr-19
	RM'000	RM'000
Trade receivables	31,510	27,365
Other receivables	8,186	8,841
	39,696	36,206

The ageing analysis of the trade receivables is as follows:

	31-Jul-19	30-Apr-19
	RM'000	RM'000
Current (not past due)	28,218	12,750
1 - 30 days past due	4	11,130
31 - 90 days past due	4,254	4,757
Past due more than 90 days	1,928	2,335
	34,404	30,972
Allowance for impairment loss	(2,894)	(3,607)
	31,510	27,365

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-Jul-19	30-Apr-19
	RM'000	RM'000
Cash and bank balances	28,557	18,437
Deposits placed with licensed bank	7,274	6,960
Total cash and cash equivalents	35,831	25,397

Included in the deposits placed with licensed financial institutions is RM3,852,000 (30 April 2019: RM1,433,000) 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.

A15. SHARE CAPITAL, SHARE PREMIUM AND TREASURY SHARES (CONTINUED)

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-Jul-19 RM'000	30-Apr-19 RM'000
Secured short-term borrowings:		
Term loans	7,503	929,358
Hire purchase financings	51	47
Overdrafts	-	6,021
Revolving credits	10,000	10,000
Total short term borrowings	17,554	945,426
Secured long-term borrowings:		
Term loans	937,845	20,599
Hire purchase financings	88	103
Revolving credits	30,000	30,000
Total long term borrowings	967,933	50,702
Total borrowings	985,487	996,128

<u>Proposed Debt Restructuring Scheme</u>

During the period end 31 April 2019, the Group has reclassified total loans and borrowings of approximately RM911 million from non-current liabilities to current liabilities as the Group did not meet certain repayment terms and financial covenants of these loans and borrowings. Total carrying amounts of loans and borrowings where certain repayments terms and financial covenants were not met as 30 April 2019 is approximately RM921 million.

On 18 February 2019, 11 April 2019 and 30 April 2019, the Group has received the offer letters of the PDRS from the respective lenders during the financial period and as at period end, the PDRS is pending completion of documentation process.

A17. TRADE AND OTHER PAYABLES

	31-Jul-19	30-Apr-19
	RM'000	**RM'000**
Trade payables	34,528	30,693
Accruals and other payables	22,260	20,623
	56,788	51,316

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-Jul-19	30-Apr-19
	RM'000	**RM'000**
Capital expenditure		
Approved and contracted for:		
Property, vessel and equipment	27,808	32,346
Approved but not contracted for:		
Property, vessels and equipment	18,151	23,938

A21. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Contingent liabilities of the Group comprise the followings:

		31-Jul-19	30-Apr-19
		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.

A21. CONTINGENT LIABILITIES AND CONTINGENT ASSETS (CONTINUED)

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 period under review is as follows:

	Current Period 31-Jul-19 RM'000
Revenue	53,508
Operating profit	5,471
Profit before interest and taxation	588
Loss before taxation	(12,924)
Loss after taxation	(13,015)
Loss attributable to ordinary equity holders of the parent	(8,434)

Fleet utilisation:	
Marine Logistics - Upstream Division	72%
Marine Logistics - Downstream Division	74%

During the quarter, the Group recorded RM53.5 million revenue, supported by robust charter activities as indicated by the fleet utilisation rates. The Upstream Division continued as the main revenue contributor, generating 75% of the Group revenue, while the Downstream Division generated the balance 25%.

Division	No. of vessels	Revenue contribution (RM'000)	%
Upstream	21	40,392	75
Downstream	6	13,116	25
	27	53,508	100

Taking into account the finance cost and vessel depreciation expenses, the Group recorded RM12.9 million loss before taxation.

B1. REVIEW OF PERFORMANCE (CONTINUED)

i. Marine Logistics – Upstream Division

	Current Period 31-Jul-19 RM'000
Revenue	40,392
Loss before taxation	(14,333)

During the quarter, the Upstream Division deployed a total of 21 vessels including 4 third party vessels, recording 72% utilisation. Whilst the charter activities have gradually increased since 2017 mainly due to higher oil and gas production activities, vessel charter rates have remained at a relatively low level in the past few years as a results of continuing market oversupply of offshore support vessels.

In line with the above, despite recording commendable revenue of RM40.4 million, the Division recorded RM14.3 million loss before taxation during the current period.

i. Marine Logistics – Downstream Division

	Current Period 31-Jul-19 RM'000
Revenue	13,116
Profit before taxation	1,894

During the current period, the Downstream Division has benefited from its acquisition of three product tankers in the prior year, having expanded its revenue base. The Division, which deployed 4 out of 5 available tankers, recorded 74% vessel utilization, indicating minimal disruption despite having 2 of its vessels undergoing scheduled docking and one is still undergoing initial repairs prior to deployment.

During the current period, the Division has recorded revenue of RM13.1 million and profit before taxation of RM1.9 million.

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

	Current Period 31-Jul-19 (3-months) RM'000	Preceeding period 30-Apr-19 (1-month) RM'000
Revenue	53,508	16,207
Operating profit/(loss)	5,471	(939)
Profit/(Loss) before interest and taxation	588	(17,004)
Loss before taxation	(12,924)	(31,771)
Loss after taxation	(13,015)	(31,775)
Loss attributable to ordinary equity holders of the parent	(8,434)	(22,512)

a. Revenue

	31-Jul-19 (3-months) RM'000	30-Apr-19 (1-month) RM'000
Revenue		
Marine Logistics - Upstream Division	40,392	12,664
Marine Logistics - Downstream Division	13,116	3,543
	53,508	16,207
Fleet utilisation		
Marine Logistics - Upstream Division	72%	72%
Marine Logistics - Downstream Division	74%	73%

b. Loss before taxation

	Current Period 31-Jul-19 (3-months) RM'000	Preceeding period 30-Apr-19 (1-month) RM'000	Variances RM'000	Change
Loss before taxation				
Marine Logistics - Upstream Division	(14,333)	(32,406)	18,073	(56%)
Marine Logistics - Downstream Division	1,894	45	1,849	*
Investment Holding and Others	(485)	(2,924)	2,439	(83%)
Adjustments	-	3,514	(3,514)	*
	(12,924)	(31,771)	18,847	(59%)

Following the change of financial year end from 31 December to 30 April with effect from the financial period ended 30 April 2019, the period under review comprises a three-month period ended 31 July 2019 whilst the comparative / immediate preceding period comprises one-month period ended 31 April 2019.

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

b. <u>Loss before taxation (continued)</u>

During the current period, the Upstream Division recorded 56% lower loss before tax than the immediate preceding period mainly due to a non-recurring vessel impairment charge amounting RM18 million recognised in April 2019. Meanwhile, the Downstream Division recorded higher profit before tax in the current quarter in line with higher revenue recognised and lower vessel repair costs incurred during the current period.

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 41% 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 RM107 million and RM179.7 million in 2017 and 2019 (16 months period) respectively.

As the price of oil continues to improve and shows more stability in 2018 and 2019, there is a resurgence of exploration and drilling activities offshore. This has improved utilisation for the larger AHTS vessels which pushed the Company's overall vessel utilisation to approximately 72% in the current financial period.

We can expect vessel utilisation for the upstream division to continue to improve in the current financial year. Revenue is also expected to increase mainly driven by higher vessel utilisation rather than higher DCR. However, for the Asia Pacific region overall, there is already an uptrend in DCR in most segments of the market.

B3. FUTURE PROSPECTS (CONTINUED)

a. Marine Logistics – Upstream Division (continued)

On the corporate side, 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. The approach to CDRC for mediation is a more holistic approach to restructure JMM's borrowings and to renegotiate the respective financing facilities on terms that are sustainable in the face of the challenging period in the oil and gas industry. The successful mediation will enable JMM to be better positioned in the upstream marine logistics segment and ensure its underlying viability going forward.

As at the date of this report, JMM and its Lenders have mutually agreed on the principal terms of the restructuring, and are currently in the process of finalising the documentation and procuring the applicable approvals to implement the scheme.

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.

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 72% during this current period.

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 2018 and early 2019, mirroring the demand for clean petroleum products. Riding on this trend, which is expected to continue for the remainder of 2019 and 2020, the Division acquired three (3) CPP tankers. Two are already in operation with the third expected to commence operation by the end of 2019.

In addition to the existing 6 tankers, 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 into operation in 2019.

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 July 2019 is as follows:

	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	(182,450)	17,550	Within 36 months
Working capital	b.	111,847	(48,969)	64,578	Within 36 months
Transaction cost	c.	8,000	(6,300)	-	Within 6 months
		390,000	(307,872)	82,128	

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 July 2019, the Group has utilised RM76.9 million on strengthening the Group’s offshore marine support services business and a further RM105.6 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 RM64.6 million comprised of RM62.9 million of unutilised working capital and RM1.7 million unutilised expenses for the SILK Disposal transaction cost.

B5. STATUS OF CORPORATE PROPOSALS ANNOUNCED (CONTINUED)

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-Jul-19	30-Apr-19
	RM'000	RM'000
Total retained profits of the Company and its subsidiaries:		
- realised loss	(337,354)	(329,206)
Less consolidated adjustment	245,333	245,619
Total Group retained profits as per consolidated accounts	(92,021)	(83,587)

B8. AUDIT REPORT OF PRECEDING ANNUAL FINANCIAL STATEMENTS

The audit report on the Group’s financial statements for the year ended 30 April 2019 was not subject to any qualification.

BY ORDER OF THE BOARD
SECRETARIES