MARINE & GENERAL BERHAD

(Company No. 199601033545 *(405897-V)*)

INTERIM RESULT FOR THE PERIOD ENDED 31 JANUARY 2020 (Q3 2020)

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(Incorporated in Malaysia)
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	Notes	Current Year Quarter 31-Jan-20 RM'000	Current Year To Date 31-Jan-20 RM'000
Revenue		**50,336**	158,686
Direct costs		**(48,229)**	(151,133)
Gross profit		**2,107**	7,553
Other income		**-**	**105**
Other item of expenses:			
Administrative expenses		**(5,474)**	**(15,015)**
Other expenses		**(38)**	**(948)**
		(5,512)	(15,963)
EBIT		**(3,405)**	(8,305)
Finance income	A8	738	2,450
Finance cost	A8	(10,691)	(35,893)
Net finance cost		(9,953)	(33,443)
Loss before taxation		**(13,358)**	**(41,748)**
Taxation	A9	(542)	(583)
Loss after taxation		**(13,900)**	(42,331)
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		190	2,029
Total comprehensive loss for the period		**(13,710)**	**(40,302)**
Net loss attributable to:			
Owners of the parent		**(11,038)**	**(31,621)**
Non-controlling interests		**(2,862)**	**(10,710)**
		(13,900)	(42,331)
Total comprehensive loss attributable to:			
Owners of the parent		**(10,848)**	**(29,592)**
Non-controlling interests		**(2,862)**	**(10,710)**
		(13,710)	(40,302)
Loss per share (sen)			
- basic	A10	**(1.52)**	**(4.37)**

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 (Company No. 199601033543 (405897-V))
(Incorporated in Malaysia)
UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 JANUARY 2020
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	31-Jan-20 RM'000	Audited 30-Apr-19 RM'000
Assets			
Non-current assets			
Property, vessels and equipment		**831,277**	852,024
		831,277	852,024
Current assets			
Inventories		**11,707**	6,890
Other investments	A12	**48,276**	114,323
Trade and other receivables	A13	**34,815**	36,206
Tax recoverable		**1,315**	3,914
Cash and bank balances	A14	**38,481**	25,397
		134,594	186,730
Total assets		**965,871**	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		**(194)**	(2,223)
Accumulated losses		**(115,208)**	(83,587)
		61,810	91,402
Non-controlling interests		**(111,005)**	(100,295)
Total equity		**(49,195)**	(8,893)
Non-current liabilities			
Loans and borrowings	A16	**916,051**	50,702
		916,051	50,702
Current liabilities			
Loans and borrowings	A16	**37,060**	945,426
Trade and other payables	A17	**61,790**	51,316
Provision for taxation		**165**	203
		99,015	996,945
Total liabilities		**1,015,066**	1,047,647
Total equity and liabilities		**965,871**	1,038,754
Net assets per share attributable to equity holders of the Company (sen)		**8.54**	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 (Company No. 199601033543 (405897-V))
Incorporated in Malaysia
UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 JANUARY 2020
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	← Attributable to equity holders of the Company →					
	← Non-distributable		→	Distributable		
	Share capital 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	-	-	2,029	-	-	2,029
Loss for the period	-	-	-	(31,621)	(10,710)	(42,331)
Total comprehensive income/(loss) for the period	-	-	2,029	(31,621)	(10,710)	(40,302)
At 31 January 2020	270,003	(92,791)	(194)	(115,208)	(111,005)	(49,195)
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 (Company No. 199601033543 (405897-V))

(Incorporated in Malaysia)

UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 JANUARY 2020

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

		31-Jan-20
		RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Collection of revenue		168,358
Collection of other income		3,395
		171,753
Payment of expenses		(114,368)
Net tax recovered		1,981
Net cash generated from operating activities		59,366
CASH FLOWS FROM INVESTING ACTIVITIES		
Redemption of deposit and cash management fund		66,047
Purchase of property, vessels and equipment		(35,247)
Net cash used in investing activities		30,800
CASH FLOWS FROM FINANCING ACTIVITIES		
Drawdown of borrowings		3,900
Repayment of borrowings		(52,921)
Payment of finance costs		(28,061)
Net cash generated from financing activities		(77,082)
NET INCREASE IN CASH AND CASH EQUIVALENTS		13,084
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD		25,397
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD	(a)	38,481

(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-Jan-20
	RM'000
Cash and bank balances	30,729
Deposits with licensed financial institutions	7,752
	38,481

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 November 2019 to 31 January 2020 and represents the third 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 23 March 2020.

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 January 2020 (3-month results):					
Revenue					
External customers	36,390	13,946	-	-	50,336
Inter-segment	-	-	44	(44)	-
Total revenue	**36,390**	**13,946**	**44**	**(44)**	**50,336**
Segment loss before taxation	**(10,589)**	**(1,787)**	**(1,010)**	**28**	**(13,358)**
31 January 2020 (9-month results):					
Revenue					
External customers	120,597	38,089	-	-	158,686
Inter-segment	-	-	121	(121)	-
Total revenue	**120,597**	**38,089**	**121**	**(121)**	**158,686**
Segment loss before taxation	**(35,654)**	**(4,142)**	**(2,026)**	**74**	**(41,748)**
Segment assets	**715,569**	**197,482**	**260,909**	**(208,089)**	**965,871**
Segment liabilities	**1,095,022**	**203,624**	**3,273**	**(286,853)**	**1,015,066**

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-Jan-20 RM'000	Cumulative Period 31-Jan-20 RM'000
Finance income	738	2,450
Interest expenses	(10,691)	(35,893)
Depreciation of property, vessel and equipment	(1,673)	(4,705)
Amortisation of vessels dry-docking	(1,262)	(2,430)
Rental expenses	(133)	(413)
Net foreign exchange loss	(45)	(999)

A9. INCOME TAX

	Current Period 31-Jan-20 RM'000	Cumulative Period 31-Jan-20 RM'000
Current tax expense		
Malaysian		
- Current period	16	57
- Under provision in prior period	526	526
	542	**583**

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-Jan-20	Cumulative Period 31-Jan-20
Basic loss per share:		
Loss net of tax attributable to owners of the parent (RM'000)	(11,038)	(31,621)
Weighted average number of ordinary shares in issue ('000)	723,879	723,879
Basic loss per share (sen)	(1.52)	(4.37)

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-Jan-20 RM'000	30-Apr-19 RM'000
Financial assets at fair value through profit or loss	48,276	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-Jan-20 RM'000	30-Apr-19 RM'000
Trade receivables	23,486	27,365
Other receivables	11,329	8,841
	34,815	36,206

The ageing analysis of the trade receivables is as follows:

	31-Jan-20 RM'000	30-Apr-19 RM'000
Current (not past due)	19,092	12,750
1 - 30 days past due	820	11,130
31 - 90 days past due	5,997	4,757
Past due more than 90 days	471	2,335
	26,380	30,972
Allowance for impairment loss	(2,894)	(3,607)
	23,486	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-Jan-20 RM'000	30-Apr-19 RM'000
Cash and bank balances	30,729	18,437
Deposits placed with licensed bank	7,752	6,960
Total cash and cash equivalents	38,481	25,397

Included in the deposits placed with licensed financial institutions is RM1,686,000 (30 April 2019: RM1,433,000) pledged for banking facilities granted to subsidiaries.

A15. SHARE CAPITAL, SHARE PREMIUM AND TREASURY SHARES

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-Jan-20	30-Apr-19
	RM'000	RM'000
Secured short-term borrowings:		
Term loans	23,180	929,358
Hire purchase financings	50	47
Overdrafts	-	6,021
Revolving credits	13,830	10,000
Total short term borrowings	37,060	945,426
Secured long-term borrowings:		
Term loans	915,988	20,599
Hire purchase financings	63	103
Revolving credits	-	30,000
Total long term borrowings	916,051	50,702
Total borrowings	953,111	996,128

Proposed Debt Restructuring Scheme

During the period ended 30 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 amounts of loans and borrowings where certain repayments terms and financial covenants were not met as 30 April 2019 is approximately RM923 million.

As stated in Note B5.a, on 27 November 2019, the Company's 70% indirectly owned subsidiaries, namely Jasa Merin (Malaysia) Sdn. Bhd. ("JMM"), JM Global 3 (Labuan) Plc and JM Global 4 (Labuan) Plc have entered into separate agreements with Affin Bank Berhad, Maybank Islamic Berhad and Bank Pembangunan Malaysia Berhad to restructure the loans, as follows:

- upfront cash payment amounting RM50 million.
- partial borrowing repayment by the issue of 150 million irredeemable preference shares of RM1.00 each in JMM ("JMM PS") convertible into new ordinary shares in the Company ("M&G Shares") to the Banks for a total sum of RM150 million.
- granting of additional time of up to 10 years for JMM and its subsidiaries to settle the remaining borrowings of RM723.2 million by way of term financings.

As at the date of this report, the implementation of the restructuring is pending the issue of JM preference shares to the Banks.

A17. TRADE AND OTHER PAYABLES

	31-Jan-20 RM'000	30-Apr-19 RM'000
Trade payables	36,129	30,693
Accruals and other payables	25,661	20,623
	61,790	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-Jan-20 RM'000	30-Apr-19 RM'000
Capital expenditure		
Approved and contracted for:		
Property, vessel and equipment	29,062	32,346
Approved but not contracted for:		
Property, vessels and equipment	15,215	23,938

A21. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Contingent liabilities of the Group comprise the followings:

		31-Jan-20 RM'000	30-Apr-19 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.

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 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 November 2019 to 31 January 2020 and represents the third period subsequent to the change of the Group's financial year end. Accordingly, no comparative results are presented.

The Group performance for the period under review is as follows:

	Current Period 31-Jan-20 RM'000	Cumulative Period 31-Jan-20 RM'000
Revenue	50,336	158,686
Operating profit	2,107	7,553
Loss before interest and taxation	(3,405)	(8,305)
Loss before taxation	(13,358)	(41,748)
Loss after taxation	(13,900)	(42,331)
Loss attributable to ordinary equity holders of the parent	(11,038)	(31,621)
Fleet utilisation:		
Marine Logistics - Upstream Division	70%	71%
Marine Logistics - Downstream Division	84%	76%

During the periods under review, the Group recorded RM50.3 million and RM158.7 million revenue respectively. The Upstream Division continued as the main revenue contributor, generating 72% of the Group revenue, while the Downstream Division generated the balance 28%.

	No. of vessels deployed		Revenue contribution			
Division	**Current Period 31-Jan-20**	**Cumulative Period 31-Jan-20**	**Current Period 31-Jan-20 RM'000**	**Cumulative Period 31-Jan-20 RM'000**	**Current Period 31-Jan-20 %**	**Cumulative Period 31-Jan-20 %**
Upstream	17	21	36,390	120,597	72%	76%
Downstream	5	5	13,946	38,089	28%	24%
	22	26	50,336	158,686	100%	100%

Taking into account the finance cost and vessel depreciation expenses, the Group recorded loss before taxation of RM13.4 million in the current quarter and RM41.7 million in the cumulative period.

B1. REVIEW OF PERFORMANCE (CONTINUED)

a. Marine Logistics – Upstream Division

	Current Period 31-Jan-20 RM'000	Cumulative Period 31-Jan-20 RM'000
Revenue	36,390	120,597
Loss before taxation	(10,589)	(35,654)

During the quarter, the Division recorded a revenue of RM36.4 million for the period and RM120.6 million for the cumulative period.

The Division deployed 21 vessels including 4 third party vessels, during the period and attained 70% fleet utilization for the current period, and 71% for the cumulative period. The increasing demand for offshore support vessels ("OSV") for the past two years has consequently pushed up the charter rates for a modest increase during the period.

In addition, the Division has restructured its borrowings, which will bring more flexibility in its financial operation. The restructuring has eased the Division's financial obligations having paid an upfront cash payment of RM50 million, and extending the tenure to up to ten years. In line with improvements in the operating environment and its borrowings, the Division has reduced its loss before taxation to RM10.6 million for the current period.

b. Marine Logistics – Downstream Division

	Current Period 31-Jan-20 RM'000	Cumulative Period 31-Jan-20 RM'000
Revenue	13,946	38,089
Loss before taxation	(1,787)	(4,142)

The Downstream Division recorded a revenue of RM13.9 million for the current period and RM38.1 million for the cumulative period, having achieved 84% vessel utilisation during the current period and 76% in the cumulative period.

In addition, the Division has also completed the initial repairs for one unit of 11,000 metric ton clean petroleum product tanker it acquired in the prior year. With the addition of this tanker, the Division now has six available vessels in its fleet. The new tanker will be deployed on initial voyage charter pending certifications required to serve the oil majors.

The Division recorded RM1.8 million loss before taxation for the current period and RM4.1 million for the cumulative period, mainly due to lower than expected utilisation and charter rates earned for two tankers which were deployed on intermittent basis.

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

	Current Period 31-Jan-20 RM'000	Preceding period 31-Oct-19 RM'000	Change
Revenue	50,336	54,842	(8.2%)
Operating profit/(loss)	2,107	(27)	*
Loss before interest and taxation	(3,405)	(5,486)	(37.9%)
Loss before taxation	(13,358)	(15,465)	(13.6%)
Loss after taxation	(13,900)	(15,416)	(9.8%)
Loss attributable to ordinary equity holders of the parent	(11,038)	(12,149)	(9.1%)

a. Revenue

	Current Period 31-Jan-20 RM'000	Preceding period 31-Oct-19 RM'000	Change
Revenue			
Marine Logistics - Upstream Division	36,390	43,815	(16.9%)
Marine Logistics - Downstream Division	13,946	11,027	26.5%
	50,336	54,842	
Fleet utilisation			
Marine Logistics - Upstream Division	70%	73%	
Marine Logistics - Downstream Division	84%	70%	

The Group recorded a revenue of RM50.3 million for the quarter ended 31 January 2020 (“Q3 2020”), a decrease of 8% from the preceding period (“Q2 2020”) mainly due to lower charter activities by the Upstream Division, whose fleet utilisation decreased to 70% in Q3 2020 from 73% in Q2 2020.

The reduction in the fleet utilisation and consequently revenue during the period was mainly due to vessel scheduled docking, reduced deployment of third party vessels which normally are on project-basis, and delay in the deployment of a vessel.

On the other hand, the Downstream Division recorded a RM2.9 million higher revenue than the preceding quarter as two of its tankers were undergoing docking in the preceding quarter.

b. Loss before taxation

	Current Period 31-Jan-20 RM'000	Preceding period 31-Oct-19 RM'000	Variances RM'000	Change
Loss before taxation				
Marine Logistics - Upstream Division	(10,589)	(10,732)	143	(1.3%)
Marine Logistics - Downstream Division	(1,787)	(4,249)	2,462	(57.9%)
Investment Holding and Others	(1,010)	(530)	(480)	90.6%
Adjustment	28	46	(18)	(39.1%)
	(13,358)	(15,465)	2,107	(13.6%)

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

b. Loss before taxation (continued)

During the current period, the Group recorded RM13.4 million loss before taxation, a decrease of 14% from the loss recorded in the immediate preceding quarter.

The Upstream Division maintained its loss before taxation of RM10.6 million during the current period despite RM7.4 million decrease in revenue in line with the lower cost incurred for third-party vessel and service and maintenance expenses during the period.

On the other hand, the Downstream Division recorded RM1.8 million loss before taxation, representing a 58% improvement from the immediate preceding quarter in line with its higher revenue.

B3. FUTURE PROSPECTS

a. Marine Logistics – Upstream Division

During the period, the oil and gas industry continues to be challenging as there are many disruptors that could dampen the momentum of recovery. Among the many challenges are the low charter rates due to vessel oversupply, which may affect the ability of many OSV operators to keep operating their vessels. There has also been a steep drop in oil prices in recent weeks as a result of declining demand due to the impact on global economy arising from the spread of corona virus. More recently, the failed attempt between OPEC and Russia to rein in oil production in order to mitigate oversupply and maintain the oil price has exacerbated the decline in oil prices.

Given the financial condition of JMM, the main operating subsidiary of the Company’s Upstream Division, it has restructured its borrowings on terms that are more sustainable in the face of the challenging period in the oil and gas industry. The restructuring, although undertaken prior to the recent decline in demand, should nevertheless enable JMM to be better positioned in the upstream marine logistics segment and improve its underlying viability going forward.

Operationally, as the price of oil was on an uptrend from 2018 till recently, and had shown more stability, 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 71% in the current cumulative financial period.

With the uncertainty brought about by the price war between the two largest oil producers, namely Saudi Arabia and Russia, the Board will continue to monitor the situation carefully.

B3. FUTURE PROSPECTS (CONTINUED)

a. Marine Logistics – Upstream Division (continued)

Hence, we can expect vessel utilisation for the Upstream Division to be maintained in the current financial year. Compared to the previous period, revenue is also expected to increase mainly driven by higher vessel utilisation and a modest increase in Daily Charter Rate ("DCR"), in line with the uptrend in DCR in most segments of the market in Asia Pacific region.

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 71% during this current period.

The Board however, remains cautious on the prospects of a quick recovery for the Upstream Division amidst the continuing global economic uncertainty and its impact on the oil and gas industry.

b. Marine Logistics – Downstream Division

Demand for the Marine Logistics – Downstream Division's liquid bulk carriers has been fairly robust throughout 2018 and 2019, mirroring the demand for clean petroleum products. Riding on this trend, which is expected to continue in 2020, the Division acquired three (3) CPP tankers. Two are already in operation with the third expected to commence operation by the end of the current financial year.

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.

The Group is of the opinion that there are 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.

Given the significant drop in oil prices and the ongoing effects of the coronavirus to the global economy, the Board expects temporary disruption in the market, which may impact performance for the current and next financial year.

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

a. Proposed issuance of 1.5 billion new ordinary shares in the Company (“Proposed Issuance”) and proposed subscription of up to RM150 million new cumulative non-convertible redeemable preference in Jasa Merin (Malaysia) Sdn. Bhd. (“Proposed Subscription”) (collectively referred to as the “Proposals”)

On 27 November 2019, the Group has announced that the Company’s 70%-owned subsidiary, Jasa Merin (Malaysia) Sdn Bhd (“JMM”) and its subsidiaries namely JM Global 3 (Labuan) Plc (“JMG3”) and JM Global 4 (Labuan) Plc (“JMG4”), have entered into a separate agreements with Affin Bank Berhad, Maybank Islamic Berhad and Bank Pembangunan Malaysia Berhad (collectively referred to as the “Banks”) to restructure the outstanding facilities by JMM and its subsidiaries to the Banks amounting RM923.2 million as at 31 December 2018 (“Proposed Debt Restructuring”).

The Proposed Debt Restructuring entails:

- upfront cash payment amounting RM50 million,
- partial borrowing repayment by the issue of 150 million irredeemable preference shares of RM1.00 each in JMM (“JMM PS”) convertible into new ordinary shares in the Company (“M&G Shares”) to the Banks for a total sum of RM150 million.
- granting of additional time of up to 10 years for JMM and its subsidiaries to settle the remaining borrowings of RM723.2 million by way of term financings.

Arising from the issue of JMM PS, the Company proposed to issue 1.5 billion new M&G Shares at the issue price of RM0.10 per share amounting to RM150 million upon the surrender of the JMM PS by the holders to the Company (“Proposed Issuance”).

Additionally, the Company also proposed to subscribe for up to RM150 million new cumulative non-convertible redeemable preference shares in JMM for a total subscription of RM150.0 million (“Proposed Subscription”). The Proposed Subscription is undertaken to capitalise the existing amount owing by JMM to the Company and further cash injection in conjunction with the Proposed Debt Restructuring. The capitalisation would reduce JMM’s debt without any cash outflow and allow JMM to preserve its cash for working capital requirements.

B5. STATUS OF CORPORATE PROPOSALS ANNOUNCED (CONTINUED)

a. Proposed issuance of 1.5 billion new ordinary shares in the Company ("Proposed Issuance") and proposed subscription of up to RM150 million new cumulative non-convertible redeemable preference in Jasa Merin (Malaysia) Sdn. Bhd. ("Proposed Subscription") (collectively referred to as the "Proposals") (continued)

At the Extraordinary General Meeting ("EGM") held on 31 December 2019, shareholders of the Company approved the Proposed Issuance and Proposed Subscription.

Subsequently, on 6 January 2020, JMM has fully paid the upfront cash payment.

As at the date of this report, the restructuring is pending issuance of JMM PS to the Banks.

b. Utilisation of SILK Disposal proceeds

Status of the utilisation of SILK Disposal proceeds as at 31 January 2020 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	(200,000)	-	Within 36 months
Working capital	b.	111,847	(82,078)	31,469	Within 36 months
Transaction cost	c.	8,000	(6,300)	-	Within 6 months
		390,000	(358,531)	31,469	

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.

B5. STATUS OF CORPORATE PROPOSALS ANNOUNCED (CONTINUED)

b. Utilisation of SILK Disposal proceeds (continued)

Notes:

a. Investments (continued)

As at 31 January 2020, the Group has utilised RM108.9 million on strengthening the Group's offshore marine support services business and a further RM113.1 million on the acquisition of three (3) clean petroleum product ("CPP") tankers and construction of a new chemical tanker.

During the previous period, one (1) of the CPP tankers was deployed on time charter in Vietnam and another on voyage charter servicing the South East Asian region. The third vessel is currently undergoing docking and repairs in preparation for commercial operation.

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 RM31.5 million comprised of RM29.8 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-Jan-20	30-Apr-19
	RM'000	RM'000
Total retained profits of the Company and its subsidiaries:		
- realised loss	(360,587)	(329,206)
Less consolidated adjustment	245,379	245,619
Total Group retained profits as per consolidated accounts	(115,208)	(83,587)

B8. AUDIT REPORT OF PRECEDING ANNUAL FINANCIAL STATEMENTS

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

BY ORDER OF THE BOARD
SECRETARIES