MARINE & GENERAL
BERHAD

MARINE & GENERAL BERHAD

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

INTERIM RESULT FOR THE PERIOD ENDED 30 APRIL 2020 (Q4 2020)

Contents:

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(Incorporated in Malaysia)
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	Notes	Current Year Quarter 30-Apr-20 RM'000	Current Year To Date 30-Apr-20 RM'000
Revenue		**54,869**	213,554
Direct costs		**(60,678)**	(211,812)
Gross (loss)/profit		**(5,809)**	1,742
Other income		**3,330**	**3,435**
Other item of expenses:			
Administrative expenses		**(6,424)**	**(21,436)**
Other expenses		**(542)**	**(1,490)**
		(6,966)	(22,926)
EBIT		**(9,445)**	(17,749)
Finance income	A8	613	3,062
Finance cost	A8	(14,947)	(50,840)
Net finance cost		(14,334)	(47,778)
Loss before taxation		**(23,779)**	**(65,527)**
Taxation	A9	(253)	(836)
Loss after taxation		**(24,032)**	(66,363)
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		(1,052)	60
Total comprehensive loss for the period		**(25,084)**	**(66,303)**
Net loss attributable to:			
Owners of the parent		**(17,307)**	**(49,622)**
Non-controlling interests		**(6,725)**	**(16,741)**
		(24,032)	(66,363)
Total comprehensive loss attributable to:			
Owners of the parent		**(18,359)**	**(49,526)**
Non-controlling interests		**(6,725)**	**(16,777)**
		(25,084)	(66,303)
Loss per share (sen)			
- basic	A10	**(2.39)**	**(6.86)**

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 30 APRIL 2020
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	30-Apr-20 RM'000	Audited 30-Apr-19 RM'000
Assets			
Non-current assets			
Property, vessels and equipment		**829,139**	852,024
Right-of-use assets		**4,136**	-
		833,275	**852,024**
Current assets			
Inventories		**7,044**	6,890
Other investments	A12	**39,784**	114,323
Trade and other receivables	A13	**40,888**	36,206
Tax recoverable		**1,442**	3,914
Cash and bank balances	A14	**37,018**	25,397
		126,176	186,730
Total assets		**959,451**	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		**(2,163)**	(2,223)
Accumulated losses		**(133,209)**	(83,587)
		41,840	91,402
Non-controlling interests		**(117,072)**	(100,295)
Total equity		**(75,232)**	(8,893)
Non-current liabilities			
Loans and borrowings	A16	**916,209**	50,702
Lease liabilities		**3,086**	-
Deferred tax liability		**253**	-
		919,548	**50,702**
Current liabilities			
Loans and borrowings	A16	**44,190**	945,426
Lease liabilities		**1,004**	-
Trade and other payables	A17	**69,665**	51,316
Provision for taxation		**276**	203
		115,135	996,945
Total liabilities		**1,034,683**	1,047,647
Total equity and liabilities		**959,451**	1,038,754
Net assets per share attributable to equity holders of the Company (sen)		**5.78**	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 30 APRIL 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	-	-	60	-	(36)	24
Loss for the period	-	-	-	(49,622)	(16,741)	(66,363)
Total comprehensive income/(loss) for the period	-	-	60	(49,622)	(16,777)	(66,339)
At 30 April 2020	270,003	(92,791)	(2,163)	(133,209)	(117,072)	(75,232)
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 30 APRIL 2020
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

		30-Apr-20
		RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Collection of revenue		221,232
Collection of other income		3,824
		225,056
Payment of expenses		(151,193)
Net tax recovered		1,950
Net cash generated from operating activities		75,813
CASH FLOWS FROM INVESTING ACTIVITIES		
Redemption of deposit and cash management fund		74,539
Purchase of property, vessels and equipment		(50,909)
Net cash used in investing activities		23,630
CASH FLOWS FROM FINANCING ACTIVITIES		
Drawdown of borrowings		5,279
Repayment of borrowings		(54,890)
Payment of finance costs		(38,211)
Net cash generated from financing activities		(87,822)
NET INCREASE IN CASH AND CASH EQUIVALENTS		11,621
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD		25,397
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD	(a)	37,018

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 February 2020 to 30 April 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

A2. BASIS OF PREPARATION (CONTINUED)

b. Standards issued but not yet effective (continued)

MFRSs, Interpretations and amendments to MFRS	Effective date
▪ Amendments to MFRS 9, *Financial Instruments*, MFRS 139, *Financial Instruments: Recognition and Measurement* and MFRS 7, *Financial Instruments: Disclosures –Interest Rate Benchmark Reform*	1 January 2020
▪ MFRS 17, *Insurance Contracts*	1 January 2021
▪ Amendments to MFRS 101, *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current*	1 January 2022
▪ 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 30 July 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
30 April 2020 (3-month results):					
Revenue					
External customers	40,970	13,899	-	-	54,869
Inter-segment	-	-	43	(43)	-
Total revenue	**40,970**	**13,899**	**43**	**(43)**	**54,869**
Segment loss before taxation	**(21,050)**	**(1,912)**	**(54,749)**	**53,932**	**(23,779)**
30 April 2020 (12-month results):					
Revenue					
External customers	161,567	51,987	-	-	213,554
Inter-segment	-	-	164	(164)	-
Total revenue	**161,567**	**51,987**	**164**	**(164)**	**213,554**
Segment loss before taxation	**(56,705)**	**(6,054)**	**(56,774)**	**54,006**	**(65,527)**
Segment assets	**706,596**	**209,559**	**207,572**	**(164,276)**	**959,451**
Segment liabilities	**1,107,270**	**219,056**	**4,478**	**(296,121)**	**1,034,683**

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 30-Apr-20 RM'000	Cumulative Period 30-Apr-20 RM'000
Finance income	613	3,062
Interest expenses	(14,947)	(50,840)
Depreciation of property, vessel and equipment	(18,596)	(73,013)
Amortisation of vessels dry-docking	(3,158)	(8,754)
Rental expenses	(127)	(540)
Net foreign exchange loss	445	(554)

A9. INCOME TAX

	Current Period 30-Apr-20 RM'000	Cumulative Period 30-Apr-20 RM'000
Current tax expense		
Malaysian		
- Current period	451	508
- Under provision in prior period	(198)	328
	253	**836**

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 30-Apr-20	Cumulative Period 30-Apr-20
Basic loss per share:		
Loss net of tax attributable to owners of the parent (RM'000)	(17,307)	(49,622)
Weighted average number of ordinary shares in issue ('000)	723,879	723,879
Basic loss per share (sen)	(2.39)	(6.86)

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-20 RM'000	30-Apr-19 RM'000
Financial assets at fair value through profit or loss	39,784	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

	30-Apr-20 RM'000	30-Apr-19 RM'000
Trade receivables	27,224	27,365
Other receivables	13,664	8,841
	40,888	36,206

The ageing analysis of the trade receivables is as follows:

	30-Apr-20 RM'000	30-Apr-19 RM'000
Current (not past due)	25,958	12,750
1 - 30 days past due	1,633	11,130
31 - 90 days past due	1,432	4,757
Past due more than 90 days	1,534	2,335
	30,557	30,972
Allowance for impairment loss	(3,333)	(3,607)
	27,224	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:

	30-Apr-20 RM'000	30-Apr-19 RM'000
Cash and bank balances	29,261	18,437
Deposits placed with licensed bank	7,757	6,960
Total cash and cash equivalents	37,018	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:

	30-Apr-20	30-Apr-19
	RM'000	RM'000
Secured short-term borrowings:		
Term loans	28,637	929,358
Hire purchase financings	53	47
Overdrafts	-	6,021
Revolving credits	15,500	10,000
Total short term borrowings	44,190	945,426
Secured long-term borrowings:		
Term loans	916,154	20,599
Hire purchase financings	55	103
Revolving credits	-	30,000
Total long term borrowings	916,209	50,702
Total borrowings	960,399	996,128

Proposed Debt Restructuring Scheme

At 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:

A16. GROUP BORROWINGS AND DEBT SECURITIES (CONTINUED)

Proposed Debt Restructuring Scheme (continued)

- 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, JMM has obtained all the necessary approvals and paid the RM50 million upfront cash payment to the Banks. Notwithstanding the above, the debt restructuring is currently pending issuance of JMM PS to the Banks.

A17. TRADE AND OTHER PAYABLES

	30-Apr-20	30-Apr-19
	RM'000	RM'000
Trade payables	32,129	30,693
Accruals and other payables	37,536	20,623
	69,665	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

	30-Apr-20	30-Apr-19
	RM'000	RM'000
Capital expenditure		
Approved and contracted for:		
Property, vessel and equipment	28,522	32,346
Approved but not contracted for:		
Property, vessels and equipment	10,479	23,938

A21. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Contingent liabilities of the Group comprise the followings:

		30-Apr-20	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.

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. SUBSEQUENT EVENTS

a. On 17 July 2020, the Company announced that its subsidiary, M&G Tankers Sdn Bhd ("MGT") had entered into a sale and purchase agreement ("SPA") with Teng Keng Han ("Teng") for the acquisition of the remaining 30% equity interest in TKH Marine (L) Ltd ("TKH Marine") ("Acquisition"). MGT is a wholly-owned subsidiary of M&G Marine Logistics Holdings Sdn Bhd, which in turn is a wholly-owned subsidiary of the Company.

   The Acquisition entails the acquisition by M&GT of 747,901 ordinary shares in TKH Marine ("TKH Shares"), representing 30% equity interest in TKH Marine, for a cash consideration of USD800,000 (approximately RM3.5 million). The Acquisition was completed on 30 July 2020.

A22. SUBSEQUENT EVENTS (CONTINUED)

b. On 20 July 2020, the Company announced that its wholly- owned subsidiary, M&G Marine Logistics Holdings Sdn Bhd ("MGML"), had entered into a Subscription Agreement ("the Agreement") with Muhibbah Engineering Berhad ("MEB") where MEB would subscribe for 40% interest in M&G Sutera 8 Sdn Bhd ("MGS8").

MGS8 was a wholly-owned subsidiary of MGML, and accordingly, is a wholly-owned subsidiary of the Company. Upon completion of the Agreement, the Company would be deemed to have disposed 40% equity interest in MGS8 ("Disposal").

<u>Background information of the Disposal</u>

On 19 April 2018, M&G Marine Logistics (L) Pte Ltd ("MML Labuan"), a wholly-owned subsidiary of M&G, signed a ship building contract with Muhibbah Marine Engineering Sdn Bhd ("MME"), a wholly-owned subsidiary of MEB, for the design, construction, commissioning and delivery of one 7,000 deadweight tonnage chemical tanker ("Contract") at a cost of RM54,602,820 ("Contract Price"). The tanker was named JM Sutera 8 ("JMS8").

Subsequently, on 21 October 2019, MML Labuan entered into a novation agreement with MGS8 to novate all its rights and obligations under the Contract to MGS8 with the consideration being the Contract Price. MML Labuan is currently in the process of being wound up.

As MGS8 was newly incorporated, MGML had provided shareholder advances to MGS8 amounting to RM32,761,692, which was paid directly to MME as part settlement of the Contract Price ("Shareholder Advances"). As 20 July 2020, RM21,841,128 of the Contract Price was still outstanding ("Outstanding Sum").

MME had, on 13 July 2020, entered into a deed of assignment with MEB to assign all its rights under the Outstanding Sum to MEB.

As settlement of the Outstanding Sum and Shareholder Advances, MGS8 will issue and allot ordinary shares and non-cumulative redeemable convertible preference shares in MGS8 ("Subscription Shares" and "Preference Shares" respectively), to MGML and MEB in the following manner:

	No. of Subscription Shares	No. of Preference Shares	Total No. of Shares	%
MGML	22,933,182	9,828,508	32,761,690	60.0%
MEB	15,288,790	6,552,338	21,841,128	40.0%
Total	38,221,972	16,380,846	54,602,818	100.0%

The Subscription Shares and Preference Shares to be subscribed by MEB collectively represents the "Subscription Consideration".

The Subscription Shares and the new ordinary shares in MGS8 resulting from the conversion of the Preference Shares will, upon issuance and allotment, rank equally in all respects with the existing ordinary shares in MGS8.

The Disposal was completed on 30 July 2020.

A23 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 February 2020 to 30 April 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 30-Apr-20 RM'000	Cumulative Period 30-Apr-20 RM'000
Revenue	54,869	213,554
Operating (loss)/profit	(5,809)	1,742
Loss before interest and taxation	(9,445)	(17,749)
Loss before taxation	(23,779)	(65,527)
Loss after taxation	(24,032)	(66,363)
Loss attributable to ordinary equity holders of the parent	(17,307)	(49,622)
Fleet utilisation:		
Marine Logistics - Upstream Division	72%	72%
Marine Logistics - Downstream Division	71%	75%

During the periods under review, the Group recorded RM54.9 million and RM213.6 million revenue respectively. The Upstream Division continued as the main revenue contributor, generating 75% of the Group revenue, while the Downstream Division generated the balance 25%.

	No. of vessels deployed		Revenue contribution			
Division	Current Period 30-Apr-20	Cumulative Period 30-Apr-20	Current Period 30-Apr-20 RM'000	Cumulative Period 30-Apr-20 RM'000	Current Period 30-Apr-20 %	Cumulative Period 30-Apr-20 %
Upstream	17	21	40,970	161,567	75%	76%
Downstream	5	5	13,899	51,987	25%	24%
	22	26	54,869	213,554	100%	100%

B1. REVIEW OF PERFORMANCE (CONTINUED)

Despite the weak market condition of oil and gas industry as a result of the trade war between Saudi Arabia and Russia, and subsequently the shrinking demand for fuel and energy arising from Covid-19 pandemic, the Group continued to record modest increase in its Upstream Division activities and commendable operating level for the Downstream Division.

However, taking into account the finance cost and vessel depreciation expenses, the Group recorded loss before taxation of RM23.8 million in the current quarter and RM65.4 million in the cumulative period.

i. Marine Logistics – Upstream Division

	Current Period 30-Apr-20 RM'000	Cumulative Period 30-Apr-20 RM'000
Revenue	40,970	161,567
Loss before taxation	(21,050)	(56,705)

During the quarter, the Division recorded a revenue of RM41 million for the period and RM161.6 million for the cumulative period.

The Division deployed 21 vessels including 4 third party vessels, during the period and attained 72% fleet utilization for both the current and cumulative periods. 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 recorded loss before taxation of RM21.1 million for the current period, and RM56.7 million for the cumulative period.

ii. Marine Logistics – Downstream Division

	Current Period 30-Apr-20 RM'000	Cumulative Period 30-Apr-20 RM'000
Revenue	13,899	51,987
Loss before taxation	(1,912)	(6,054)

The Downstream Division recorded a revenue of RM13.9 million for the current period and RM52 million for the cumulative period, having achieved 71% vessel utilisation during the current period and 75% in the cumulative period.

B1. REVIEW OF PERFORMANCE (CONTINUED)

ii. Marine Logistics – Downstream Division (continued)

The Division recorded RM1.9 million loss before taxation for the current period and RM6.1 million for the cumulative period, mainly due to higher than expected associated costs of tankers deployed on voyage charter.

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

	Current Period 30-Apr-20 RM'000	Preceding period 31-Jan-20 RM'000	Change
Revenue	54,869	50,336	9.0%
Operating (loss)/profit	(5,809)	2,107	*
Loss before interest and taxation	(9,445)	(3,405)	*
Loss before taxation	(23,779)	(13,358)	78.0%
Loss after taxation	(24,032)	(13,900)	72.9%
Loss attributable to ordinary equity holders of the parent	(17,307)	(11,038)	56.8%

a. **Revenue**

	Current Period 30-Apr-20 RM'000	Preceding period 31-Jan-20 RM'000	Change
Revenue			
Marine Logistics - Upstream Division	40,970	36,390	12.6%
Marine Logistics - Downstream Division	13,899	13,946	(0.3%)
	54,869	50,336	9.0%
Fleet utilisation			
Marine Logistics - Upstream Division	72%	70%	
Marine Logistics - Downstream Division	71%	84%	

The Group recorded a revenue of RM54.9 million for the quarter ended 30 April 2020 (“Q4 2020”), an increase of 9% from the preceding period (“Q3 2020”) mainly due to higher charter activities by the Upstream Division, whose fleet utilisation increased from 70% in Q3 2020 to 72% in Q4 2020.

In relation to the Downstream Division, the Division has 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 was to be deployed on initial voyage charter pending certifications required to serve the oil majors. The low utilization of the new tanker and the expanding capacity have contributed to lower fleet utilization during this quarter.

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

a. Revenue (continued)

Consequently, the Downstream Division recorded marginally higher revenue of RM14 million in the current quarter compared to RM13.9 million in the immediate preceding quarter.

b. Loss before taxation

	Current Period 30-Apr-20 RM'000	Preceding period 31-Jan-20 RM'000	Variances RM'000	Change
Loss before taxation				
Marine Logistics - Upstream Division	(21,050)	(10,589)	(10,461)	98.8%
Marine Logistics - Downstream Division	(1,912)	(1,787)	(125)	7.0%
Investment Holding and Others	(54,749)	(1,010)	(53,739)	*
Adjustment	53,932	28	53,904	*
	(23,779)	(13,358)	(10,421)	78.0%

During the current period, the Group recorded RM23.8 million loss before taxation, an increase of 78% from the loss recorded in the immediate preceding quarter.

The Upstream Division recorded higher loss before taxation of RM21.1 million than RM10.6 million recorded in the immediate preceding quarter mainly due to an unusual RM5 million adjustment for marine gas oil and stocks consumption and a RM4 million interest adjustment recognised during the quarter.

On the other hand, the Downstream Division recorded RM1.9 million loss before taxation during the current quarter as compared to loss before taxation of RM1.8 million in the immediate preceding quarter mainly due to the higher operating costs following the addition of a new tanker to the fleet in the preceding quarter.

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. There has also been a drop in oil prices in recent months 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, the declining demand for fuel and energy is expected to continue to next year. Hence, we can expect a consolidation in charter rates and a reduction in vessel utilization as charterers negotiate for lower charter rates and termination and / or suspension of contracts.

The gradual re-opening of business in the country as well as similar re-openings in our key trading partners such as China offers hope of recovery next year. The Board however, remains cautious on the prospects of the Upstream Division amidst the continuing global economic uncertainty and its impact on the oil and gas industry.

B3. FUTURE PROSPECTS (CONTINUED)

b. Marine Logistics – Downstream Division

The Group expects softer demand for the Marine Logistics – Downstream Division's liquid bulk carriers in the coming period following the declining demand of fuel and energy products as a result of the Covid-19 pandemic. As such the Group expects a drop in tanker utilisation and rates in 2020 before a gradual recovery in 2021.

In June 2020, the Group took delivery of a new chemical tanker, bringing its total fleet to 7 tankers comprising 4 chemical tankers and 3 clean petroleum product tankers. The additional tanker capacity was earlier planned in anticipation of potential business opportunities created by the Pengerang Integrated Petroleum Complex, and will put the Group in good stead upon recovery of the industry.

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

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.

As at the date of this report, JMM has obtained all the necessary approvals and paid the RM50 million upfront cash payment to the Banks. Notwithstanding the above, the debt restructuring is currently pending issuance of JMM PS to the Banks.

B5. STATUS OF CORPORATE PROPOSALS ANNOUNCED (CONTINUED)

b. Utilisation of SILK Disposal proceeds

Status of the utilisation of SILK Disposal proceeds as at 30 April 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	(90,976)	22,571	Within 36 months
Transaction cost	c.	8,000	(6,300)	-	Within 6 months
		390,000	(367,429)	22,571	

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 2020, the Group has utilised RM115.4 million on strengthening the Group’s offshore marine support services business and a further RM113.8 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. Subsequent to the financial year-end, the third CPP tanker and the new chemical tanker have been deployed in the region.

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 RM22.6 million comprised of RM20.9 million of unutilised working capital and RM1.7 million unutilised expenses for the SILK Disposal transaction cost.

B5. STATUS OF CORPORATE PROPOSALS ANNOUNCED (CONTINUED)

b. Utilisation of SILK Disposal proceeds (continued)

Notes:

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

	30-Apr-20 RM'000	30-Apr-19 RM'000
Total retained profits of the Company and its subsidiaries:		
- realised loss	(432,874)	(329,206)
Less consolidated adjustment	299,665	245,619
Total Group retained profits as per consolidated accounts	(133,209)	(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