MARINE & GENERAL
BERHAD
Registration No. 199601033545 (405897-V)

ANNUAL REPORT 2020

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OPERATING SUBSIDIARIES

Marine Logistics Upstream Division – spearheaded by Jasa Merin (Malaysia) Sdn Bhd ("JMM"), the Division commenced operation in 1982. JMM charters out offshore support vessels ("OSV") for use by the oil majors in their exploration and production ("E&P") activities. The OSVs provide support services to the E&P activities by undertaking anchor handling function (positioning and retrieval of drilling rig anchors), towing activities (repositioning of rigs to other drilling locations), firefighting and recovery support, as well as transporting equipment and cargoes to and from offshore installations.

JMM has been providing OSV services to oil majors such as PETRONAS Carigali Sdn Bhd, ExxonMobil Exploration and Production Malaysia Inc. and Sarawak Shell Berhad for over 30 years. Presently, JMM operates a fleet of 21 vessels comprising 19 Anchor Handling Tug Supply Vessels ("AHTS") and 2 Straight Supply Vessels ("SSV").

Marine Logistics Downstream Division – headed by Jasa Merin (Labuan) Plc and M&G Tankers Sdn Bhd, the Division commenced operation in 2016. The Division charters out liquid bulk carriers to the petro-chemical and oleo-chemical industries, whereby the vessels are used to transport liquid bulk products in the region. The Division operates four 7,000 DWT chemical vessels, two 8,000 DWT clean petroleum product ("CPP") tankers and an 11,000 DWT CPP tanker respectively serving major Oil and Gas companies as well as large trading houses in the East Asian and South East Asian regions. The vessels provide flexibility in terms of cargoes they can carry ranging from chemicals and clean petroleum products to palm oil.

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CORPORATE INFORMATION

BOARD OF DIRECTORS
Executive Chairman,
Non-Independent Executive Director
Dato' Mohd Azlan Hashim

Deputy Chairman,
Independent Non-Executive Director
Tan Sri Datuk Seri Razman M Hashim
(Senior Independent Director)

Independent Non-Executive Directors
Dato' Harun bin Md Idris
Shariffuddin bin Khalid
Datin Shelina binti Razaly Wahi
Dato' Haji Razali bin Mohd Yusof
(resigned on 17 August 2020)

Non-Independent Non-Executive Directors
Nik Abdul Malik bin Nik Mohd Amin
Tai Keat Chai
(re-designated as Non-Independent Director on 30 October 2019)

AUDIT COMMITTEE
Datin Shelina binti Razaly Wahi
(appointed as Member of the Committee on 30 October 2019, and subsequently as Chairman on 17 August 2020)
Tai Keat Chai
(resigned as Chairman of Audit Committee on 30 October 2019)
Shariffuddin bin Khalid
Dato' Haji Razali bin Mohd Yusof
(appointed as Chairman of Audit Committee on 30 October 2019, resigned on 17 August 2020)
Nik Abdul Malik bin Nik Mohd Amin
(resigned on 30 October 2019)

RISK MANAGEMENT COMMITTEE
Tai Keat Chai *(Chairman)*
Nik Abdul Malik bin Nik Mohd Amin
Mohd Nizam bin Abd Wahab
Dato' Haji Razali bin Mohd Yusof
(resigned on 17 August 2020)

NOMINATION AND REMUNERATION COMMITTEE
Tan Sri Datuk Seri Razman M Hashim *(Chairman)*
Dato' Harun bin Md Idris
Shariffuddin bin Khalid

COMPANY SECRETARIES
Lim Hui Ming (BC/L/740)
Chia Poh Tin (MAICSA 7055061)

REGISTERED OFFICE
Level 22, Axiata Tower
No. 9, Jalan Stesen Sentral 5
Kuala Lumpur Sentral
50470 Kuala Lumpur, Malaysia
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PRINCIPAL PLACE OF BUSINESS
Corporate Office
Level 23, Plaza VADS
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Taman Tun Dr Ismail
60000 Kuala Lumpur
Malaysia
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Marine Logistics – Upstream Division
Jasa Merin (Malaysia) Sdn Bhd
No. 7776, Jalan Kubang Kurus
24000 Kemaman
Terengganu Darul Iman
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Fax No. : (09) 858 3237

Marine Logistics – Downstream Division
Jasa Merin (Labuan) Plc
Level 22, Plaza VADS
No. 1, Jalan Tun Mohd Fuad
Taman Tun Dr Ismail
60000 Kuala Lumpur
Malaysia
Tel No. : (03) 7735 6311
Fax No. : (03) 7735 6312

SHARE REGISTRAR
Boardroom Share Registrars Sdn Bhd
11th Floor, Menara Symphony
No. 5, Jalan Semangat
(Jalan Prof. Khoo Kay Kim)
Seksyen 13
46200 Petaling Jaya
Selangor, Malaysia
Tel No. : (03) 7890 4700
Fax No. : (03) 7890 4670

AUDITORS
KPMG PLT
Chartered Accountants

SOLICITORS
Christopher & Lee Ong

PRINCIPAL BANKERS
Affin Bank Berhad
Affin Islamic Bank Berhad
Bank Pembangunan Malaysia Berhad
Malayan Banking Berhad
Maybank Islamic Berhad

STOCK EXCHANGE LISTING
Main Market of Bursa Malaysia Securities Berhad

WEBSITE
www.marine-general.com.my

PROFILES OF BOARD OF DIRECTORS

DATO' MOHD AZLAN HASHIM

Malaysian, aged 63, male
Executive Chairman (Non-Independent)

Dato' Mohd Azlan Hashim was appointed to the Board of M&G as Non-Executive Director on 4 June 2008 and was subsequently appointed as Executive Chairman on 24 June 2008.

A Chartered Accountant by profession, he graduated with a Bachelor of Economics from Monash University, Australia. He is a Fellow Member of the Institute of Chartered Accountants, Australia, Member of Malaysian Institute of Accountants, Fellow Member of the Institute of Chartered Secretaries and Administrators. He has extensive experience in the corporate sector including financial services and investments. Among others, he has served as Chief Executive of Bumiputra Merchant Bankers Berhad, Group Managing Director of Amanah Capital Malaysia Berhad and Executive Chairman of Bursa Malaysia Berhad Group.

Current directorships in public companies and other organisations include, D&O Green Technologies Berhad, IHH Healthcare Berhad and Khazanah Nasional Berhad.

He has attended all 6 Board Meetings held during the financial year.

TAN SRI DATUK SERI RAZMAN M HASHIM

Malaysian, aged 81, male
Independent Non-Executive Deputy Chairman,
Senior Independent Director
Chairman, Nomination and Remuneration Committee

Tan Sri Datuk Seri Razman M Hashim was appointed to the Board of M&G as Non-Executive Deputy Chairman on 10 June 2002 and was designated as Independent Non-Executive Deputy Chairman on 14 January 2013 and subsequently as Senior Independent Director on 28 February 2017.

Tan Sri Datuk Seri Razman completed his early secondary education in Australia. He studied banking where he became a Member of Australian Institute of Bankers. He has more than 39 years of experience in the banking industries.

Upon his return to Malaysia, Tan Sri Datuk Seri Razman joined Standard Chartered Bank Malaysia Berhad as an Officer Trainee in 1964. Throughout his 34 years of banking experience in Standard Chartered Bank Malaysia Berhad, he served with the bank's offices in London, Europe, Hong Kong and Singapore. In 1994, he was appointed as Executive Director/Deputy Chief Executive of Standard Chartered Bank Malaysia Berhad until his retirement in June 1999. In the same month in 1999, he was appointed as Chairman of MBF Finance Berhad by Bank Negara Malaysia as its nominee until January 2002 when the finance company was sold to Arab-Malaysian Group.

His directorships in other public companies and listed issuers are Sunway Berhad, Berjaya Land Berhad and Mycron Steel Berhad.

He has attended 5 of the 6 Board Meetings held during the financial year.

PROFILES OF BOARD OF DIRECTORS

TAI KEAT CHAI

Malaysian, aged 66, male
Non-Independent Non-Executive Director
Chairman, Risk Management Committee
Member, Audit Committee

Tai Keat Chai was appointed to the Board of M&G as Independent Non-Executive Director on 18 August 2008 and was subsequently re-designated as Non-Independent Non-Executive Director on 30 October 2019.

He qualified as a Fellow of the Institute of Chartered Accountants in England & Wales and is a member of the Malaysian Institute of Accountants.

He began his career with KPMG in London in 1977 and a year later joined PriceWaterhouse (now known as PwC) in Kuala Lumpur. In 1981, he joined Amanah Merchant Bank Berhad (now known as Alliance Investment Bank Berhad) where he worked for seven years. In 1990, he ventured into the stockbroking industry and has worked in SJ Securities Sdn Bhd, JB Securities Sdn Bhd (now known as A.A.Anthony Securities Sdn Bhd) and BBMB Securities Sdn Bhd (now known as Kenanga Investment Bank Berhad) as General Manager, Director and dealer's representative respectively. Currently he is a Director of Fiscal Corporate Services Sdn Bhd.

Current directorships in other public listed companies and listed issuers include Omesti Berhad, Microlink Solutions Berhad and Rex Industry Berhad.

He has attended all 6 Board Meetings held during the financial year.

NIK ABDUL MALIK BIN NIK MOHD AMIN

Malaysian, aged 62, male
Non-Independent Non-Executive Director
Member, Risk Management Committee

Nik Abdul Malik bin Nik Mohd Amin was appointed to the Board of M&G as Independent Non-Executive Director on 24 February 2009 and was subsequently re-designated as Non-Independent Non-Executive Director on 23 February 2018.

He graduated from the University of Leeds, United Kingdom with Bachelor of Science (Honours) in Civil Engineering. He is a graduate member of The Institute of Engineers Malaysia and Board of Engineers Malaysia.

Nik Abdul Malik bin Nik Mohd Amin is the founder of an established property developer with more than 30 years' experience. Additionally, Nik Abdul Malik holds a vast experience in the oil & gas industries as well as highway concessions sector through his tenure as a director in a public listed company for more than a decade.

He started his career as Project Engineer with FAO/United Nations Development Programme in 1981 in a pilot project collaboration with the Drainage and Irrigation Department of Terengganu Darul Iman ("DID Terengganu"). He subsequently joined DID Terengganu in 1983 as District Engineer, and was subsequently promoted to Planning and Design Engineer in 1984. Between 1986 and 1989, he served as Project Engineer and Executive Director in two private construction companies, before assuming his current position as Managing Director of ND Group of companies, an established property developer and class A/grade G7 contractor.

He has no directorship in other public companies and listed issuers.

He has attended all 6 Board Meetings held during the financial year.

PROFILES OF BOARD OF DIRECTORS

DATO’ HARUN BIN MD IDRIS

Malaysian, aged 69, male
Independent Non-Executive Director
Member, Nomination and Remuneration Committee

Dato’ Harun bin Md Idris was appointed to the Board of M&G as Independent Non-Executive Director on 12 August 2009.

A graduate of the University Kebangsaan Malaysia with Diploma of Police Science, Dato' Harun joined the Royal Malaysian Police (“RMP”) on 1 June 1970 as a Probationary Inspector. He served the RMP for 39 years and retired on 9 April 2009 with the rank of Deputy Commissioner of Police (“DCP”). His last post was as the Deputy Director 1, Special Branch.

In his long and distinguished career with the RMP, Dato’ Harun had served in various capacities including as the head of Special Branch of Perak, Kedah and Sarawak.

He has no directorship in other public companies and listed issuers.

He has attended 4 of the 6 Board Meetings held during the financial year.

DATO’ HAJI RAZALI BIN MOHD YUSOF

Malaysian, aged 61, male
Independent Non-Executive Director
Chairman, Audit Committee
Member, Risk Management Committee
(resigned from the Board and Board Committees on 17 August 2020)

Dato’ Haji Razali bin Mohd Yusof was appointed to the Board of M&G as Independent Non-Executive Director on 1 January 2015.

A graduate with a Bachelor of Science in Mining Engineering and a Master of Science in Engineering Management from University of Missouri, he has held various key positions in a number of private and multinational companies in Malaysia. He brings with him over 25 years experiences in the mining and oil & gas industry, having held many roles ranging from developing businesses, managing critical projects, organisational development and providing advisory and consultancy services.

Current directorships in other public listed companies and listed issuers include Datasonic Group Berhad.

He has attended all 6 Board Meetings held during the financial year.

PROFILES OF BOARD OF DIRECTORS

SHARIFFUDDIN BIN KHALID

Malaysian, aged 55, male
Independent Non-Executive Director
Member, Audit Committee
Member, Nomination and Remuneration Committee

Shariffuddin bin Khalid was appointed to the Board of M&G as Independent Non-Executive Director on 1 December 2017.

He has over 30 years' experience in the banking and corporate sector. He is a qualified chartered management accountant and has served in key positions in the corporate services, business development, corporate communication and human resource functions.

Shariffuddin has worked in the merchant banking industry, telecommunications industry and a local conglomerate. He was part of the management team that led Pengurusan Danaharta Nasional Bhd (a special purpose agency established during the Asian financial crisis). Most recently he served Bank Negara Malaysia for nearly 10 years – as the pioneer Director of the Malaysian International Islamic Financial Center department and then as the Director of Strategic Communications before ending his tenure in September 2017.

Current directorships in other public listed companies and listed issuers include Malayan Banking Berhad (Group).

He has attended 5 of the 6 Board Meetings held during the financial year.

DATIN SHELINA BINTI RAZALY WAHI

Malaysian, aged 47, female
Independent Non-Executive Director
Member, Audit Committee
(appointed as Chairman of the Audit Committee on 17 August 2020)

Datin Shelina was appointed to the Board of Directors of M&G on 1 August 2019.

Datin Shelina is a graduate from the University of Bristol. She completed her Bar Vocational course at Lincoln's Inn, London in 1996 and was called to the Malaysian Bar in 1998.

Datin Shelina began her legal career as a litigation lawyer, then moved in-house as corporate counsel with a large multinational O&G company, followed by stints at a leading media, content & consumer service provider, a start-up airline and an F&B start up, before returning to corporate legal practice.

In addition to being a corporate lawyer specializing in the aviation and aerospace sectors, Datin Shelina is currently the Honorary Secretary of the Malaysia Aerospace Industry Association and assists member companies in their engagements with Government agencies, banks and other industry shareholders. Datin Shelina is also active in the general aviation sector, particularly in relation to advising on regulatory matters.

She is currently a Board Member of Lam Soon (M) Berhad, an unlisted public company; and has no directorship in other listed issuers.

She has attended 3 of the 3 Board Meetings held during the financial year.

Notes:

1. **Family Relationship with Director and/or Major Shareholder**
   None of the Directors has any family relationship with any director and/or major shareholder of M&G.
2. **Conflict of Interest**
   None of the Directors has any conflict of interest with M&G Group.
3. **Conviction for Offences**
   None of the Directors has been convicted for offences within the past 5 years other than traffic offences, if any.
4. **Sanctions and Penalty**
   None of the Directors has been sanctioned or penalised by any relevant regulatory bodies during the financial year.

PROFILES OF KEY SENIOR MANAGEMENT

DATO' MOHD AZLAN HASHIM
Malaysian, aged 63, male
Executive Chairman, Marine & General Berhad ("M&G")

Details of Dato' Mohd Azlan Hashim are set out in the Profiles of Board of Directors in page 3 of the Annual Report.

HAJI ABDUL RAHMAN BIN ALI
Malaysian, aged 59, male
Executive Vice - Chairman, Jasa Merin (Malaysia) Sdn Bhd ("JMM")
Director, Jasa Merin (Labuan) Plc ("JML") and M&G Tankers Sdn Bhd ("MGT")

Haji Abdul Rahman was appointed to the Board of JMM on 12 April 2006 and was subsequently appointed as Executive Vice - Chairman on 12 April 2006. He provides the strategic business direction for JMM and JML.

Haji Rahman ventured into construction business in 1980 and over the years acquired construction business experience from his own businesses and during his three-year stint with Kajima Corporation. In 1994, he joined Syarikat Halim Mazmin Berhad where he held an executive role in operations and business development, gaining valuable insight and experience in maritime logistic business before leaving in 1997. In 2006, he led the management buyout of 70% of the equity interest in JMM via AQL Aman Sdn Bhd which was later injected into Marine & General Berhad in 2009.

MOHD NOOR ISMARDI BIN IDRIS
Malaysian, aged 54, male
Director, JML and MGT
Chief Executive Officer, JMM

Mohd Noor joined JMM as the General Manager on 1 December 2006, and was subsequently re-designated as the Chief Executive Officer in 1 Jan 2020. His key responsibility is overseeing the operations of JMM.

Mohd Noor holds a Bachelor of Business degree from Western Australia College of Advanced Education. Mohd Noor has more than 29 years of professional and commercial experience in the areas of business development, corporate services, financial management and accounting. Prior to joining JMM, he served with Malaysian Transnasional Trading Berhad, Naluri Berhad, Kumpulan Fima Berhad, International Food Corporation Pte Ltd, and D&C Bank Berhad.

He is a past committee member of the Malaysian Offshore Support Vessel Owner's Association whose primary objective is to act as a collective platform for Malaysian offshore support vessel companies to address industry concerns and further the interests of its members.

PROFILES OF KEY SENIOR MANAGEMENT

MOHD NIZAM BIN ABD WAHAB

Malaysian, aged 52, male
General Manager, Finance

Mohd Nizam bin Abd Wahab joined the Group on 4 September 2008 as the Senior Manager, Corporate Finance of Sistem Lingkaran-Lebuhraya Kajang Sdn Bhd ("SILK") and assumed his current position on 1 May 2017.

He is responsible for all financial and treasury related matters of the Group which covers the overall financial management and planning to support decision making on operational and strategic issues of the Group.

Mohd Nizam holds a Bachelor of Science in Business Administration degree from Washington University in Saint Louis, Missouri, USA.

Mohd Nizam brings over 29 years of experiences in accounting and reporting, financial and treasury management and tax planning having served as senior management in those areas in public and private companies for 12 years prior to joining the Group.

Notes:

1. **Directorship in public companies and listed issuers**
   Except for Dato' Mohd Azlan Hashim, none of the Key Senior Management has any directorship in public companies and listed issuers.
2. **Family Relationship with Director and/or Major Shareholder**
   None of the Key Senior Management has any family relationship with any director and/or major shareholder of M&G.
3. **Conflict of Interest**
   None of the Key Senior Management has any conflict of interest with M&G Group.
4. **Conviction for Offences**
   None of the Key Senior Management has been convicted for offences within the past 5 years other than traffic offences, if any.
5. **Sanctions and Penalty**
   None of Key Senior Management has been sanctioned or penalised by any relevant regulatory bodies during the financial year.

FIVE-YEAR GROUP FINANCIAL SUMMARY

	2015 * (17 months) RM'000	2016 RM'000	2017 RM'000	2019 *** (16 months) RM'000	2020 RM'000
		(restated) **			
RESULTS					
REVENUE	400,784	168,586	152,076	232,753	213,598
Profit/(loss) before taxation	1,457	(122,366)	(367,887)	(108,142)	(65,525)
Taxation	(9,571)	27,524	33,602	2,414	(839)
Profit/(loss) after taxation	(8,114)	(94,842)	(334,285)	(105,728)	(66,364)
(Loss)/profit from discontinued operations, net of tax	(18,521)	(8,164)	385,470	-	-
Less non-controlling interests	(3,036)	28,988	101,244	34,251	16,732
(LOSS)/PROFIT ATTRIBUTABLE TO SHAREHOLDERS	(29,671)	(74,018)	152,429	(71,477)	(49,632)
(LOSS)/EARNING PER SHARE (SEN)	(4.4)	(10.6)	21.5	(9.9)	(6.9)
FINANCIAL POSITION					
Property, vessels and equipment	1,203,494	1,195,561	856,736	852,024	829,139
Rights-of-use assets	-	-	-	-	4,135
Goodwill	647	-	-	-	-
Long term receivables	7,385	-	-	-	-
Current assets	98,277	49,621	274,599	186,730	126,304
Non-current assets classified as held for sale	1,214,701	1,216,724	-	-	-
TOTAL ASSETS	2,524,504	2,461,906	1,131,335	1,038,754	959,578
Liabilities classified as held for sale	1,166,441	1,207,204	-	-	-
Current liabilities	254,145	397,526	206,725	996,945	1,014,504
Long-term liabilities	855,071	711,335	825,664	50,702	20,332
TOTAL LIABILITIES	2,275,657	2,316,065	1,032,389	1,047,647	1,034,836
TOTAL NET ASSETS/ SHAREHOLDERS' FUNDS	248,847	145,841	98,946	(8,893)	(75,258)
Non-controlling interests	(62,044)	(33,112)	68,132	100,295	117,077
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY	186,803	112,729	167,078	91,402	41,819
SHARE CAPITAL	175,383	175,383	270,003	270,003	270,003
NET ASSETS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY(SEN)	26.6	16.1	23.1	12.6	5.8

* *The Group changed its financial year end from 31 July to 31 December with effect from the financial period ended 31 December 2015. Accordingly, results for that period are for 17 months.*

** *The comparative figures have been restated by reclassifying the results of the disposed Highway Division to (loss)/profit from Discontinued Operations, net of tax, and aggregating the assets and liabilities of the Highway Division into non-current assets and liabilities held for sale.*

*** *The Group changed its financial year end from 31 December to 30 April with effect from the financial period ended 30 April 2019. Accordingly, results for that period are for 16 months.*

MANAGEMENT DISCUSSION AND ANALYSIS

1. INTRODUCTION

Marine & General Berhad (“M&G” or “the Company”) was originally incorporated as SILK Concessionaire Holdings Sdn Bhd on 14 October 1996, and subsequently changed its name to Sunway Infrastructure Berhad on 14 February 2002. It assumed the name of SILK Holdings Berhad on 31 October 2008. It assumed its current name on 23 June 2017 after the successful completion of the disposal of the Company’s highway assets.

The Company, at present, has two major operating divisions, namely the Marine Logistics – Upstream Division (“Upstream”) spearheaded by Jasa Merin (Malaysia) Sdn Bhd ("JMM") and the Marine Logistics – Downstream Division (“Downstream”), consisting of several ship owning companies (“SOCs”) including Jasa Merin (Labuan) Plc ("JML") and M&G Sutera 8 Sdn Bhd under M&G Marine Logistics Holdings Sdn Bhd (“MGMLH”), and M&G Tankers (L) Pte Ltd, TKH Marine (L) Ltd and M&G Marine Logistics (L) Pte Ltd under M&G Tankers Sdn Bhd (“MGTSB”).

JMM charters out offshore support vessels ("OSV”) for use by the oil majors in their exploration and production activities. On the other hand, the SOCs under the Downstream Division charter out liquid bulk carriers (“LBC”) to the petro-chemical and oleo-chemical industries, where the vessels are used to transport liquid bulk products.

During the financial year under review, JMM operated a fleet of twenty-one (21) vessels consisting of ten (10) 60-meter 60-ton bollard pull Anchor Handling Tug Supply (“AHTS”) vessels, nine (9) 70-meter 120-ton bollard pull AHTS vessels and two (2) 60-meter Straight Supply Vessels (“SSV”). The Downstream Division, which began operations in 2016 with JML, operated five (5) clean petroleum product/chemical tankers during the financial year under review.

2. CORPORATE DEVELOPMENTS

Jasa Merin (Malaysia) Sdn Bhd debt restructuring

On 6 February 2018, the Company announced that JMM has received approval from the Corporate Debt Restructuring Committee (“CDRC”) of Bank Negara Malaysia for JMM’s application for assistance to mediate between JMM and its subsidiaries with its financiers (“the Banks”).

On 27 November 2019, it was announced that the Company’s 70%-owned subsidiary, JMM and its affected subsidiaries have entered into agreements to restructure the outstanding facilities by JMM and its subsidiaries with the Banks amounting to RM923.2 million ("Outstanding Amounts").

Pursuant thereto, JMM and its subsidiaries agreed to undertake a debt restructuring exercise, which involves the restructuring of the Outstanding Amounts as follows:

1. Upfront payment to the Banks amounting to RM50.0 million (Upfront Payment");

2. Settlement of part of the Outstanding Amounts amounting to RM150.0 million via the issuance by JMM of irredeemable preference shares of RM1.00 each in JMM to the Banks ("JMM PS"). For clarity, the JMM PS may be presented and surrendered to M&G in exchange for new M&G shares based on the exchange ratio of one (1) RM1.00 nominal value JMM PS for ten (10) M&G Shares; and

3. Granting to JMM, JMG 3 and JMG 4 additional time to settle the balance Outstanding Amounts of RM728.3 million by way of a Term Financing ("TF").

2. CORPORATE DEVELOPMENTS (CONT'D)

Jasa Merin (Malaysia) Sdn Bhd debt restructuring (cont'd)

Upon completion of the Upfront Payment to the Banks and the issuance of JMM PS, RM 200.0 million of the Outstanding Amount shall be (and shall be deemed to be) fully and irrevocably settled, satisfied, released, discharged and cancelled. The TF of approximately RM728.3 million shall be settled in accordance with the terms and conditions agreed upon between JMM, its affected subsidiaries and the Banks.

Arising therefrom, the Company sought shareholders' approval to issue 1.5 billion new M&G Shares at the issue price amounting to RM150.0 million upon the surrender of the JMM PS by the JMM PS Holders to M&G. Additionally, the Company also sought shareholder approval to undertake the proposed subscription of up to 150.0 million new cumulative non-convertible redeemable preference shares of RM1.00 each ("CN-RPS") in JMM for a total subscription of RM150.0 million.

An Extraordinary General Meeting ("EGM") was held on 31 December 2019 to present the matter for consideration to the Company's shareholders, wherein a total of three (3) resolutions to give effect to the debt restructuring were presented for their consideration. After hearing the explanation from the Company, the shareholders approved all resolutions proposed at the EGM.

JMM has subsequently obtained all the necessary approvals and paid the RM50 million Upfront payment to the Banks. The debt restructuring was completed on 13 August 2020 with the issuance of JMM PS to the Banks.

3. FINANCIAL PERFORMANCE

During the preceding period under review, the Group changed its financial year end from 31 December to 30 April in line with the proposed debt restructuring scheme of the Upstream Division. Accordingly, the preceding financial period comprised 16 months period from 1 January 2018 to 30 April 2019.

Results

	FY2020 RM'000	FY2019 RM'000	Change RM'000	%
Revenue	213,598	232,753	(19,155)	(8.2%)
Direct expenses	(211,343)	(224,364)	13,021	(5.8%)
Gross profit	2,255	8,389	(6,134)	(73.1%)
Loss before taxation	(65,525)	(108,142)	42,617	(39.4%)
Loss after taxation	(66,364)	(105,728)	39,364	(37.2%)
Vessel charter days:				
- Upstream Division	6,046	6,525	(479)	(7.3%)
- Downstream Division	1,454	1,920	(466)	(24.3%)
Vessel utilisation				
- Upstream Division	70%	62%		12.9%
- Downstream Division	75%	91%		(17.2%)

MANAGEMENT DISCUSSION AND ANALYSIS

3. FINANCIAL PERFORMANCE (CONT'D)

Results (cont'd)

During the financial year under review, the Group recorded RM213.6 million revenue, representing a RM19.2 million or 8% decrease from the results of the previous 16 months period ended 30 April 2019.

On an annualised basis, the results represented a 22% increase compared to the previous period, which is mainly driven by higher charter activities of the Upstream Division whose vessel charter days grew by 24% over the same period.

Meanwhile, direct expenses decreased by RM13 million or 6% from RM224.4 million in the preceding period to RM211.3 million during the current financial year. The reduction in direct expenses was not proportionate to the reduction in revenue following the deployment of more third-party vessels on lower margin during the current financial year and reactivation of several 70M vessels that were previously laid-up.

Nevertheless, finalisation of the debt restructuring of JMM in 2019 has allowed certain terms to be implemented upfront and this has positively impacted the Group as net finance cost reduced to RM47.8 million for the current financial year from RM78.6 million recorded in the preceding financial period.

In line with the higher demand for OSV during the year under review, as indicated by higher vessel utilisation, and as a result of the past impairment assessment exercises, the Group did not recognise any vessel impairment loss during the current financial year. Consequently, the Group recorded a lower loss before taxation of RM65.5 million during the current year as compared to RM108.1 million in the previous period.

4. FINANCIAL POSITION

Assets and liabilities

As at 30 April 2020, total assets of the Group contracted by RM79.2 million from RM1.04 billion as at 30 April 2019 to RM959.6 million at 30 April 2020, mainly due to vessel depreciation and vessel dry-docking amortisation.

Likewise, total liabilities decreased marginally to RM1.03 billion as at 30 April 2020 from RM1.05 billion as at 30 April 2019 mainly due to the upfront loan repayments as part of JMM debt restructuring.

Liquidity

The financial year under review started positively with the Upstream Division's vessel utilisation and charter rates gradually improving. Coupled with the near conclusion of JMM debt restructuring, the Group improved its ability to meet its financial obligations.

However, in the second half of the financial year under review, an outbreak of COVID-19 pandemic started in China, and quickly spread globally. Initial lockdown to contain the pandemic and the continuing travel restriction has disrupted many economic activities and consequently affected the demand for oil / fuel. Results and liquidity of the Group for the financial period under review were not materially affected as existing charter contracts were not significantly disrupted.

Gearing

Despite reducing the bank borrowings via regular and one-off upfront cash payments during the financial year under review, the Group's gearing deteriorated from 92% in the previous year to 96% at the end of the current year, as the Group's capital base eroded in line with the losses incurred for the year.

4. FINANCIAL POSITION (CONT'D)

Capital expenditure and commitments

During the financial year, the Group incurred RM59 million capital expenditure mainly for tanker construction and initial repairs prior to deployment, and the periodic vessel docking.

In the previous financial period, the Group entered into a contract to build a chemical tanker for RM55 million. Construction of the tanker was 95% complete at the year-end and was completed in June 2020.

In addition, during the financial year under review, the Group completed initial repairs prior to deployment of a clean petroleum product tanker that was acquired in the previous year and completed dockings of 11 vessels, a regular repair and maintenance work undertaken every two and a half years.

At the financial year-end, the Group has a commitment amounting to RM33 million which is mainly related to the balance construction cost of a chemical tanker and vessel scheduled dockings.

5. OPERATING CONDITIONS

A. Upstream Division

The global oil and gas sector enjoyed a period of relative stability and high oil price between 2006 to 2014. This in turn spurred the growth in shale oil activities primarily in the United States of America ("USA"). During this period, Brent oil price index averaged above USD90 per barrel. By 2013, USA had become the world's largest producer of crude oil, overtaking Saudi Arabia and Russia. Over the last 10 years, USA has more than doubled its oil production. This created an oversupply of the world's crude oil and by end of 2014, oil price dropped by approximately 50%.

After a period of adjustments in global oil production, oil prices improved significantly. In 2018 and 2019, the Brent oil price averaged approximately USD71 and USD64 respectively. The higher prices brought back increased activity in the offshore oil and gas sector which translated into higher demand for our Offshore Support Vessels ("OSV") as oil companies such as Petronas resumed their capital expenditure in exploration and drilling activities.

During the year under review, vessel utilisation at the Upstream Division improved as oil companies resumed their exploration and drilling activities. Vessel utilisation was approximately 70%, a slight improvement from the utilisation level of the previous year of approximately 62%. This is a vast improvement from the low utilisation rate in 2016 of approximately 48%.

MANAGEMENT DISCUSSION AND ANALYSIS

5. OPERATING CONDITIONS (CONT'D)

A. Upstream Division (cont'd)

However, Daily Charter Rate ("DCR") for OSV remained low as oil prices have yet to fully recover and due to oil companies' ongoing cost control measures. On average, the current market DCR is still approximately 30% lower compared to pre-2016 rates. However, compared to the previous year, market DCR showed an encouraging improvement of approximately 15%. Resulting from the recent market disruptions brought about by the COVID-19 pandemic, this growth momentum was cut short and will take time for recovery.

B. Downstream Division

The world's consumption of oil grew steadily over the last 20 years at approximately 1.3% annually. Over the last 10 years, this consumption grew at a higher rate of more than 1.5% year on year. Oil demand is largely unaffected by oil prices and this translates to stable demand for our Chemical and Clean Petroleum Product ("CPP") tankers.

In the financial year under review, the Downstream Division had 5 vessels in operation with another delivered in January 2020, which only commenced operation in May 2020. The overall vessel utilisation during the financial year was approximately 75% with 2 vessels on Time Charter contract throughout the year whilst the other 3 were on Voyage Charters.

JM Sutera-7 completed a long-term Bareboat Charter contract in March 2019 and commenced a new Time Charter contract in September 2019, after undergoing scheduled major docking. There were also 3 interim dockings during the year for JM Sutera-1, JM Sutera-2 and JM Sutera-3.

In comparison, vessel utilisation during the previous financial period was approximately 91% with 3 vessels on Time Charter, 1 vessel on Bareboat Charter and only 1 vessel operating on Voyage Charter basis. There was also only 1 scheduled docking for JM Sutera-5 that affected operations in the previous financial period.

In terms of charter rates for both Chemical and Clean Petroleum Product ("CPP") tankers, the charter rates remained relatively stable during the year.

6. PROSPECTS

A. Marine Logistics – Upstream Division

Global oil prices have made a slow recovery since the significant decline in 2014. In 2018 and 2019, oil prices traded between USD46 to USD77 per barrel. It was expected that oil price would stabilise at around USD55 to USD65 per barrel in the medium term. At these reasonable and more stable prices, the offshore oil and gas industry was expected to be able to sustain a recovery, albeit with cost control measures firmly in place.

The above recovery however, was short lived. In February 2020, the emergence of the COVID-19 pandemic began to impact the global economy and with that demand for oil. Pursuant to this drop in demand, OPEC+ countries initiated a discussion to cut production to control oil prices.

However, in March 2020, following failed negotiations on production-cuts between Saudi Arabia and Russia, the second and third largest oil producers in the world, an oil price war started. Oil which was then trading at about USD60 per barrel fell by more than 80% to about USD12 per barrel. Saudi Arabia and Russia subsequently reached an agreement to cut production and together with the drop in oil production in the USA, oil prices recovered to around USD40 per barrel currently.

As it currently stands, although many oil companies resumed their exploration and drilling programs in 2018, the recent drop in oil price has resulted in some oil companies scaling back on their capital expenditure. By the third quarter of 2020, there had been a significant drop in exploration and drilling projects and correspondingly lower demand for OSVs supporting this segment.

MANAGEMENT DISCUSSION AND ANALYSIS

6. PROSPECTS (CONT'D)

A. Marine Logistics – Upstream Division (cont'd)

Approximately 40% of our OSV fleet is primarily involved in the exploration and drilling segment. With the expected lower activity in this segment in the next 6 to 12 months, we expect our fleet utilisation to be lower at around 60% in the 2020/2021 financial year. Exploration and drilling activities are expected to resume by the second quarter of 2021.

Given the financial condition of JMM, the main operating subsidiary of the 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.

B. Marine Logistics – Downstream Division

The Downstream Division tankers mainly transport petroleum products such as diesel, petrol, jet fuel and chemicals which are derivatives of the oil and gas refining process. The division mainly serves the downstream oil and gas sector. This sector in turn is highly dependent on the health of the economy, specifically fuel consumption in the transportation sector and use of chemicals in the manufacturing sector.

Since 2016 when M&G entered this business segment, demand for its Chemical and CPP tankers has been stable. The lower crude oil prices during this period have also reduced the price of petroleum products such as diesel and petrol. This led to higher consumption and consequently stable demand for marine logistic services.

In early 2020, global demand for petroleum products dropped due to the COVID-19 pandemic and the resulting slower economic activities. The International Monetary Fund ("IMF") predicts the world economy to contract by 4.9% in 2020 and a growth of 5.4% in 2021 (IMF World Economic Outlook Report, June 2020). In terms of oil demand, the US Energy Information Administration ("EIA") expects demand to only recover to 2019 levels by end of 2021. This recovery in demand is expected to begin in the third quarter of 2020 (EIA Short-Term Outlook, July 2020).

Our tankers mainly serve the ASEAN market and to a lesser extent the China and India markets. The ASEAN market is expected to contract by 2% in 2020 and grow by 6.2% in 2021. For China, it is expected to grow at 1% and 8.2% in 2020 and 2021 respectively. The Indian economy is projected to contract by 4.5% in 2020 and resume its growth in 2021 at 6.0% (IMF World Economic Outlook Report, June 2020).

Ultimately, the economic impact will depend on the various countries' handling of the COVID-19 pandemic and the economic and financial countermeasures taken. In the ASEAN market, which our medium size tankers mainly serve, the lower market demand may lead to petroleum products being traded in smaller cargo parcels. This is well suited for our vessel sizes and may result in a more stable demand for our tankers.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors of Marine & General Berhad ("M&G" or "the Company") and its Group of companies ("the Group") fully appreciates the role good governance plays in enhancing shareholders' value. The Board is committed towards compliance with the requirements set out in the Malaysian Code on Corporate Governance 2017 ("the Code") and strives to adopt the substance behind the corporate governance prescriptions to the best of its ability.

The Board is pleased to report to its shareholders on the application of the Principles as set out in the Code during the financial year.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

(I) Board Responsibilities

Functions of the Board

The Company is led and controlled by a balanced and effective Board where it assumes, amongst others, the following principal responsibilities in discharging its stewardship role and fiduciary and leadership functions:

a) Setting the objectives, goals and strategic plans with a view to maximising shareholder value;
b) Adopting and monitoring progress of strategies, budgets, plans and policies;
c) Overseeing the conduct of businesses to evaluate whether the businesses are properly managed;
d) Identifying principal risks and ensuring the implementation of appropriate systems to mitigate and manage these risks;
e) Considering Management's recommendations on key issues including acquisitions, divestments, restructuring, funding and significant capital expenditure;
f) Human resources planning and development; and
g) Reviewing the adequacy and integrity of internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.

On a more routine level, the Board sets the annual business targets and budgets for the coming year. This is usually undertaken in the fourth quarter of the financial year. Resources required by Management to meet their targets are considered and approved by the Board at the same time it considers and sets targets for the coming year.

In terms of oversight, the Board also sets clear, pre-defined Financial Authority Limits / Limits of Authority on Management to ensure major decisions, specifically for investments or capital expenditures, are only undertaken after careful consideration by the Board and its various Board Committees, where appropriate. In essence, decisions affecting key business considerations or where they involve a value higher than what has been approved for Management, are all reserved for the Board.

The Company had convened a total of 6 Board Meetings during the financial year ended 30 April 2020.

Board Committees

The Board has set up three (3) Board Committees to assist the Board in discharging its functions, namely the Audit Committee, Nomination & Remuneration Committee and Risk Management Committee (the details and membership of each Committee are elaborated in their respective sections). The Committees are required to report to the Board on all their deliberations and recommendations and such reports are incorporated in the minutes of the Board Meetings.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

(I) Board Responsibilities (cont'd)

Appointment of a Chairman

Dato' Mohd Azlan bin Hashim was appointed to the role of Executive Chairman on 24 June 2008.

Dato' Mohd Azlan is a highly experienced company director and corporate leader having served leadership roles at Amanah Capital Malaysia Berhad and Bursa Malaysia Berhad in the past. As Chairman of the Board of Directors, Dato' Mohd Azlan carries out a leadership role in guiding the conduct of the Board and its relations with shareholders and other stakeholders. He maintains a close professional relationship with his management team. In addition, he chairs Board meetings, as well as general meetings of shareholders, and concerns himself with the good order and effectiveness of the Board and its processes.

Separation of Positions of Chairman and Chief Executive Officer ("CEO")/Managing Director

Given Dato' Mohd Azlan's strong leadership, business acumen and wide experience, the Board continues to maintain this arrangement which it feels is in the best interest of the Company. The Company has opted to address the issue of adequate checks and balances by having a Board with a strong independent representation. During the financial year under review, five (5) out of eight (8) Board members are Independent Directors with diverse professional and business backgrounds. Decisions by the Board are only made after the issues had been deliberated at length by the Board, wherein the views of each Board member are sought. In addition, Dato' Mohd Azlan is not a member of any of the Board Committees established by the Board. This ensures the various Committees are able to discharge their function independently of the Executive Chairman.

The Executive Chairman's role in the day-to-day operations of the Company is explained in the Board Charter and is mainly to provide leadership, strategic vision, high-level business judgment and wisdom, and the ability to meet immediate performance targets without neglecting longer-term growth opportunities of the Company.

In addition, the day-to-day operations of the operating subsidiaries within the Group are carried out by the respective Head of Divisions, who report to their respective Boards. The Executive Chairman does not sit on the Boards of the operating subsidiaries and is therefore not a party to the decisions made at the operating subsidiary level.

The Executive Chairman is also subject to the Financial Authority Limits / Limits of Authority which sets pre-defined limits on his authority. For example, under the current limits, the Executive Chairman is only allowed to approve unbudgeted transactions up to RM500,000. Meanwhile, key investment and disposal decisions of the holding company, i.e. those with a value of RM500,000 or more, are only considered by the Board after a recommendation from the Risk Management Committee.

Collectively, these safeguards ensure that no one individual can influence key decisions of the Company. The Board is satisfied with the adequacy of the controls and limitations in place and is of the opinion that retaining the existing arrangement is in the best interest of the Company given its business, size and complexity.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

(I) Board Responsibilities (cont'd)

Qualified and competent Company Secretaries

In order to assist the Board with its functions, the Company has appointed two (2) qualified Company Secretaries:

a) Ms Lim Hui Ming; and
b) Ms Chia Poh Tin.

Both are suitably qualified and competent Company Secretaries and are supported by appropriately qualified assistants of their own to ensure they are able to discharge their duties effectively and efficiently.

At least one of the Company Secretaries, assisted by an appropriately qualified secretarial staff, will attend the Company's Board or Committee meetings and ensure accurate and proper records of the proceedings and resolutions passed are properly maintained. The Company Secretary in attendance acts as a reference point on matters relating to procedures, governance as well as regulatory requirements.

The Company Secretaries also provide updates and assist the Board with interpreting regulatory and listing requirements related to the Company.

Outside of scheduled meetings, the Company Secretaries also play a key role in advising and guiding Management with respect to compliance matters.

From time to time, the Company Secretaries also update the Board with relevant training courses available for their consideration and assist in registration of the training seminars/workshops attended by the Directors, if any.

During the annual general meetings of the Company, the Company Secretaries will also coordinate with the Share Registrar, Independent Scrutineer, Shareholders, Board of Directors, the Management etc to ensure smooth running of the meetings.

The Company Secretaries constantly keep themselves abreast of the evolving environment, regulatory changes and development in Corporate Governance through attendance at relevant conferences and training programmes. They have also attended continuous professional development programmes as required by the Companies Commission of Malaysia, the Malaysian Institute of Chartered Secretaries and Administrators and other professional bodies.

Board Charter

The Board has formally adopted and published its Board Charter which will be periodically reviewed and kept up-to-date with changes in regulations and best practices to ensure its effectiveness and relevance to the Board objectives. The Board Charter was last reviewed and amended on 29 November 2017 to incorporate changes made by the Code.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

(I) Board Responsibilities (cont'd)

Board Charter (cont'd)

The Board Charter of the Company sets out the role of the Board and it also lists the broad powers of the Board. In addition to this, the Board Charter also elaborates on the following:

- Composition
  - ✓ Tenure of independent director;
  - ✓ Key roles of the Executive Chairman;
  - ✓ Key day-to-day management role of the Executive Chairman; and
  - ✓ Non-Executive Directors' roles.
- Ethics
- Board structure and procedures
  - ✓ Board's role;
  - ✓ Board's power;
  - ✓ Board's performance;
  - ✓ Board's committees; and
  - ✓ Board meeting.
- Access
- Independent Professional Advice
- Remuneration
- Indemnification and Directors and Officers insurance

The Board Charter is available for viewing on the Company's website (www.marine-general.com.my).

Demarcation of responsibilities

The Board takes it upon itself to ensure that shareholders' interests and its goal of creating sustainable value over the long-term are always kept in view in any major decision it makes. The Board does so by segregating its role to that of overall stewardship and setting the strategic direction for the Company.

The Management manages the day-to-day operations and administration of the Company, in accordance with the strategic direction and delegations of the Board. The Board continuously oversees the activities of Management in carrying out these delegated duties.

The daily running of the business is entrusted to the respective Heads of Division of the Company who report directly to the Executive Chairman. At the operating subsidiary level, the Chief Executive Officer ("CEO") of Jasa Merin (Malaysia) Sdn Bhd ("JMM"), reports directly to the Executive Vice-Chairman of JMM and its Board while in the case of Jasa Merin (Labuan) PLC, the two (2) General Managers report directly to its Board.

The respective Heads of Division at the Company level and CEO and the General Managers at the operating subsidiary level carry out their duties under a pre-defined Financial Authority Limits / Limits of Authority set by the respective Boards. These Limits of Authority are reviewed from time to time to ensure continued relevance, effectiveness and efficiency.

The Board is satisfied with the existing demarcation of responsibilities given the business, size and complexity of the Company.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

(I) Board Responsibilities (cont'd)

Code of Conduct and Ethics

The Company has an Employee Code of Conduct to guide employees on the Company's expectations as well as set parameters for acceptable professional behaviour.

The Code of Conduct for the Company was originally part of the Staff Handbook made available to employees of the Company. It has, since November 2017, been adopted separately to provide more prominence to the provisions therein. It has also been revised and expanded to add provisions on anti-bribery, corruption, insider trading and money laundering as a means to further strengthen the Code of Conduct and bring it more in-line with the requirements of the Code.

The Employee Code of Conduct was reviewed and amended on 19 May 2020. Revisions were made to reduce ambiguities with respect to the terminology used, improve the connectivity of the Employee Code of Conduct with other relevant corporate policies and enhance the existing section on anti-bribery and corruption etc.

The latest Employee Code of Conduct is also published on the Company's website (www.marine-general.com.my) for reference.

In addition to the above, the Board also constantly observes the Directors' Code of Ethics, which forms part of the Board Charter and upholds integrity in discharging its fiduciary duties.

Anti-Bribery and Corruption Policy

The Company is also cognisant of the various laws that prohibit bribery and corruption. In response to the latest Malaysian regulatory development pertaining to anti-corruption, M&G established a stand-alone Anti-Bribery and Corruption Policy ("ABAC Policy") that is applicable to all its Group Directors and employees effective from 28 April 2020.

Whistle-Blowing Policy

The Company adopted a Whistle-Blowing Policy in 2012 to introduce a safe and acceptable platform for employees to channel concerns about illegal, unethical or improper business conduct affecting the Company and about business improvement opportunities so as to ensure that no member of staff should feel at a disadvantage in raising legitimate concerns.

It was last reviewed and updated on 29 November 2017. The updated Whistle-Blowing Policy has kept the safeguards put in place by the original policy but takes into account recent changes to the organisational structure of the Company and its subsidiaries.

The Whistle-Blowing Policy is available for viewing on the Company's website (www.marine-general.com.my).

(II) Board Composition

Composition of independent members

During the financial year under review, the Company's Board of Directors had a total of eight (8) members. Only three (3) members out of the eight (8) directors who served on the Board are non-independent. Of the three (3), only one (1) performs an executive function, namely Dato' Mohd Azlan. The remaining five (5) members of the Board during the financial year are independent non-executive directors. The profile for each of the members of the Board is contained on pages 3 to 6 of this Annual Report.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

(II) Board Composition (cont'd)

Composition of independent members (cont'd)

The Board believes its composition of independent members who are able to act independently and make positive contribution to the Company remains strong. The Board intends to continue having a Board with at least a balanced independent representation to ensure that it is constantly exposed to different perspectives and insights.

The Nomination & Remuneration Committee

During the financial year, the Nomination & Remuneration Committee is comprised as follows:

1. Tan Sri Datuk Seri Razman M Hashim (Chairman of the Nomination & Remuneration Committee, Senior Independent Non-Executive Director);
2. Dato' Harun bin Md Idris (Independent Non-Executive Director); and
3. Shariffuddin bin Khalid (Independent Non-Executive Director).

The Company's Nomination & Remuneration Committee is guided by clear Terms of Reference, which are made available on the Company's website (www.marine-general.com.my).

During the financial year, the Nomination & Remuneration Committee convened a total of two (2) meetings, to discuss and deliberate matters within the ambit of its Terms of Reference. Among the matters deliberated during the year include:

1. Annual review of the composition of the Board and various Board Committees.
2. Annual assessment of the Board and Board Committees.
3. Annual review of the Audit Committee's terms of office and performance.
4. Annual review of Independent Directors approaching/past nine (9) years to determine suitability to remain as Independent Directors.
5. Appointment of external consultant to assist in search for female Director candidates for consideration.
6. Director's fees for the non-executive directors for 2019.

Annual assessment of the Board and Board Committees

The Company's Board has delegated the task of the preliminary annual evaluation of the effectiveness of the Board, the Board Committees and their respective members to the Nomination & Remuneration Committee.

For the financial year ended 30 April 2020, evaluation questionnaires seeking the feedback on how each Board member views the performance of the Board as a whole and the respective Board Committees reporting to it had been circulated to all the Board on 1 April 2020. The questionnaires were derived from the Exhibits of the Corporate Governance Guide (3rd Edition) of Bursa Malaysia Berhad. They provide a useful basis from which the key factors/criteria to determine effectiveness may be inferred. The Nomination & Remuneration Committee subsequently deliberated on the summary of the responses provided.

The Nomination & Remuneration Committee found, after considering input provided by each Director, that the various Board Committees generally have the right composition and do provide useful recommendations in assisting the Board to make better decisions.

The Nomination & Remuneration Committee also concluded, amongst others, that the skills and experience mix and composition of the Company's Board of Directors and all Board Committees reporting to it, are generally suitable for the Company, given its size, complexity and the industry it operates in.

The Board subsequently considered and endorsed the findings and conclusions of the Nomination & Remuneration Committee.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

(II) Board Composition (cont'd)

Recruitment of new Directors

From time to time, there will be a need to recruit new Directors to fill a vacancy or to enhance the effectiveness of the Board by adding new skillsets to it. After the Nomination & Remuneration Committee determines the actual additional skillsets and/or experience required by the Company during its annual evaluation of Board effectiveness, the Board will begin sourcing potential candidates primarily through the professional network of the various Board members, and occasionally via industry contacts. Where appropriate, the Board may also authorise the engagement of external consultants to assist with the search for potential candidates for consideration.

The candidates identified will be evaluated by the Nomination & Remuneration Committee. The evaluation will focus on the candidate's suitability in terms of skillsets and experience being brought to the Board. The evaluation will not take into account the ethnicity or gender of the proposed new Director in keeping with norms set by the Board that neither the ethnicity nor gender of a particular candidate for appointment to the Board is an influencing factor.

Upon satisfaction that the candidate is suitable, the Nomination & Remuneration Committee will make a recommendation to the Board of Directors accordingly. Only when a candidate is approved by the Board will he/she be appointed to the Board.

New Directors are expected to have such expertise to qualify them to make positive contributions to the Board, performance of its duties and to give sufficient commitment, time and attention to the affairs of the Company. They are also briefed by the Chairman, Company Secretaries and members of the Management on the nature of business and current issues within the Company and the Group.

Tenure of an Independent Director

The Company's Board Charter states that the tenure of an Independent Director shall be up to the maximum period of nine (9) years. At any stage up to the completion of nine (9) years, an Independent Director may be re-designated to be a Non-Independent Director if the Nomination & Remuneration Committee so finds that the Director no longer qualifies to be an Independent Director. An Independent Director so re-designated, may continue to serve on the Board subject to the Director's re-designation as a Non-Independent Director.

The Board Charter continues to state that if the Board intends to retain an Independent Director beyond nine (9) years, it should justify and seek annual shareholders' approval. If the Board continues to retain the Independent Director after the twelfth (12th) year, the Board should seek annual shareholders' approval through a two-tier voting process.

The Board firmly believes that an Independent Director who has passed the completion of nine (9) years in that role can continue to remain independent if it can be determined that the person can continue to bring independent and objective judgment to Board deliberations. In determining this and apart from satisfying the definition of "Independent Director" set out in paragraph 1.01 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"), the Board, guided by the Nomination & Remuneration Committee's evaluation of the person, must also be satisfied that:

a) The affected Independent Director has the capacity to defend his view without any influence of Management and has retained independence of character and judgment; and
b) The length of service of the affected Independent Director will not compromise his independence nor impede his duties as an Independent Director.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

(II) Board Composition (cont'd)

Tenure of an Independent Director (cont'd)

Once satisfied of the above, the Board will seek shareholder approval to retain an affected Independent Director.

The Company had, at its 22nd Annual General Meeting, sought and obtained the approval of its shareholders to retain Dato' Harun bin Md Idris as Independent Director past his completion of nine (9) years in that role. The Company is not planning to seek shareholders' approval to retain any of its affected Directors to continue as Independent Director past their ninth (9th) year at the upcoming 23rd Annual General Meeting.

Board Diversity

The Board recognises the benefits of having a diverse Board and sees increasing diversity at the Board level as an essential element in maintaining good governance. A truly diversified Board will include and make good use of differences in the skills, regional origins, industry experience, background, gender, age, ethnicity and other qualities of Directors. With this in mind, the Board adopted a Corporate Diversity Policy on 29 November 2017 to serve as a guide for it, moving forward.

This Corporate Diversity Policy is appended as follows and published on the Company's website (www.marine-general.com.my) for reference:-

MARINE & GENERAL BERHAD'S CORPORATE DIVERSITY POLICY

1.0 BOARD DIVERSITY POLICY ("BDP")

1.1 Statement of the Policy

1.1.1 The Company recognises and embraces the benefits of having a diverse Board, and sees increasing diversity at the Board level as an essential element in maintaining a competitive advantage.

1.1.2 A truly diversified Board will include and make good use of differences in the skills, regional origins, industry experience, background, gender, age, ethnicity and other qualities of Directors.

1.1.3 These differences will be considered in determining the optimum composition of the Board and when possible should be balanced appropriately.

1.1.4 All Board appointments are made on merit, in the context of skills and experience ensuring that the Board as a whole, is effective.

1.2 Procedures

1.2.1 The Board's Nomination and Remuneration Committee ("the Committee") reviews and assesses the Board composition on behalf of the Board and recommends the appointment of new Directors.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

(II) Board Composition (cont'd)

MARINE & GENERAL BERHAD'S CORPORATE DIVERSITY POLICY (CONT'D)

1.0 BOARD DIVERSITY POLICY ("BDP") (CONT'D)

1.2 Procedures (cont'd)

1.2.2 The Committee also oversees the conduct of the annual review of Board effectiveness:

a) In reviewing Board composition, the Committee will consider the benefits of all aspects of diversity including, but not limited to, those described above, in order to maintain an appropriate range and balance of skills, experience and background on the Board.

b) In identifying suitable candidates for appointment to the Board, the Committee will consider candidates on merit against objective criteria and with due regard for the benefits of diversity on the Board.

1.2.3 As part of the annual performance evaluation of the effectiveness of the Board, Board Committees and individual Directors, the Committee will consider the balance of skills, experience, independence and the diversity representation of the Board.

1.3 Measurable Objectives

1.3.1 The Committee will discuss and agree all measurable objectives for achieving diversity on the Board and recommend them to the Board for adoption.

1.3.2 At any given time the Board may seek to improve one or more aspects of its diversity and measure progress accordingly.

1.3.3 The Board recognises the recommendation of the Malaysian Code of Corporate Governance 2017 issued by the Securities Commission for maintaining at least 30% of the Board with women and will take appropriate measures to meet the target.

1.3.4 However, the selection of female candidates to join the Board will be, in part, dependent on the pool of female candidates with the necessary skills, knowledge and experience.

1.3.5 The ultimate decision to appoint female candidates will be based on merit and contribution that the chosen candidate will bring to the Board.

1.4 Monitoring and Reporting

1.4.1 The Committee will report annually, in the corporate governance section of the Company's Annual Report, on the process it has used in relation to Board appointments.

1.4.2 Such report will include a summary of the BDP, the measurable objectives set for implementing the BDP and progress made towards achieving those objectives.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

(II) Board Composition (cont'd)

MARINE & GENERAL BERHAD'S CORPORATE DIVERSITY POLICY (CONT'D)

1.0 BOARD DIVERSITY POLICY ("BDP") (CONT'D)

1.5 Review of the BDP

1.5.1 The Committee will review the BDP from time to time, which will include an assessment of the effectiveness of the BDP.

1.5.2 The Committee will discuss any revisions that may be required and recommend any such revisions to the Board for approval.

2.0 EMPLOYEE DIVERSITY POLICY ("EDP")

2.1 Statement of the Policy

2.1.1 The Company is committed to actively managing diversity as a means of enhancing its performance by recognising and utilising the contribution of diverse skills and talent from its directors, officers and employees.

2.1.2 Diversity involves valuing and recognising the unique contribution people make because of their individual background and different skills, experiences and perspectives, including persons with co-existing domestic responsibilities. Diversity may result from a range of factors including gender, age, ethnicity, cultural background or other personal factors. The Company values the differences between the people and the contribution these differences make to the Company.

2.2 Procedures

2.2.1 The Board of Directors ("the Board") assisted by the Management, is responsible for developing strategies to meet the objective of the Policy, and monitoring the progress of achieving the objectives through the monitoring and evaluation mechanism.

2.2.2 While it is important to promote diversity in terms of gender, age and ethnicity, the Company would take into consideration the following diversity strategies but not limited to:

a) recruiting from a diverse pool of candidates for all positions, including senior management;
b) identifying specific factors to take into account of the recruitment and selection processes to encourage diversity; and
c) any other strategies the Board develops from time to time.

2.2.3 The Company will not set any fixed targets around age, gender and ethnicity, but will actively work towards having the appropriate diversity based on the strategies outlined above.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

(II) Board Composition (cont'd)

MARINE & GENERAL BERHAD'S CORPORATE DIVERSITY POLICY (CONT'D)

2.0 EMPLOYEE DIVERSITY POLICY ("EDP") (CONT'D)

2.3 Measurable Objectives

2.3.1 The Company encourages diversity in employment, and in the composition of its Board, as a means of ensuring the Company has an appropriate mix of skills and talent to conduct its business and achieve the Company's goals. The Company will provide equal opportunities in respect to employment and employment conditions, including:

a) Hiring: The Board will ensure appropriate selection criteria based on diverse skills, experience and perspectives are used when hiring new staff, including Board members. Job specifications, advertisements, application forms and contracts will not contain any direct or inferred discrimination. The Board is empowered to engage professional consultants to assist in the hiring process where it deems necessary.

b) Training: All internal and external training opportunities will be based on merit and in light of the Company's and individual needs. The Board will consider senior management training and executive mentoring programs to develop skills and experience to prepare employees for senior management and Board positions.

c) Career Advancement: All decisions associated with career advancement, including promotions, transfers, and other assignments, will meet the Company's needs and be determined on skill and merit.

2.4 Monitoring and Reporting

2.4.1 The Board, through the Nomination and Remuneration Committee, will monitor the scope and applicability of this policy, from time to time.

2.4.2 The Management is responsible for implementing, monitoring and reporting on the progress of achieving the objectives.

2.5 Review of the EDP

2.5.1 The Committee will review the EDP from time to time, which will include an assessment of the effectiveness of the Policy.

2.5.2 The Committee will discuss any revisions that may be required and recommend any such revisions to the Board for approval.

The Policy has been approved by the Board of Directors on 29 November 2017.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

(II) Board Composition (cont'd)

Access to appropriate continuing education programmes

The Board recognises the significance of training which can help Directors to fulfill their role more effectively and make a difference to the performance of the Company and has undertaken an assessment of training needs of the Board members.

During the financial year, the Directors attended various training programmes and seminars organised by the relevant regulatory authorities and professional bodies to broaden their knowledge and to keep abreast with the relevant changes in law, regulations and the business environment. These have been summarised as follows:

No.	Name of Director	Topic / Organiser	Date
1.	Dato' Mohd Azlan Hashim	• Responsibilities of Directors and Senior Management (KPMG) • IHH Quality Summit (IHH Healthcare Berhad) • Forbes Conference – Transcending The Turbulence	• 29/08/2019 • 11/10/2019 • 15-16/10/2019
2.	Tan Sri Datuk Seri Razman M Hashim	• Sunway Leaders Conference at Sunway Pyramid	• 29/09/2019
3.	Tai Keat Chai	• Board Oversight: Combating AML/TF and Cybercrime (SIDC)	• 06/11/2019
4.	Shariffuddin bin Khalid	• "CG Watch: How Does Malaysia Rank?" (Iclif) • Demystifying the Diversity Conundrum: The Road to Business Excellence (Bursa Malaysia) • Maybank 2019 Annual Risk Workshop (Maybank) • Board Strategy Session: "Future of Banking – Key Trends and Outlook" Oliver Wyman ("OW") • Case Study Workshop for Independent Directors (Securities Industry Development Corporation) • Khazanah Megatrends Forum 2019 (Khazanah Nasional Berhad) • 4th Distinguished Board Leadership Series: Digital To The Core (FIDE Forum) • The Ethical Consideration for Exercising Professional Judgements in Financial Reporting -The 'should' and 'should not' (Malaysian Institute of Accountants) • Audit Oversight Board Malaysia (The SC Malaysia's AOB)	• 03/05/2019 • 05/07/2019 • 26/07/2019 • 27/09/2019 • 09/10/2019 • 07-08/10/2019 • 04/10/2019 • 12/11/2019 • 08/11/2019

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

(II) Board Composition (cont'd)

Access to appropriate continuing education programmes (cont'd)

No.	Name of Director	Topic / Organiser	Date
4.	Shariffuddin bin Khalid (cont'd)	• Executive Talk on Integrity & Governance: The Corporate Liability Provision, the "Adequate Procedures" & The Implementation of the National Anti-Corruption Plan (NACP) (The Malaysian Institute of Integrity) • Islamic Finance for Board of Directors Programme (ISRA Consultancy (International Shari'ah Research Academy for Islamic Finance)) • The Guru Series "Driving the Analytics Revolution. How Did Amazon.com Do It" (GHC /Dr. Andreas Weigend, Former Amazon Chief Scientist) • ISA 240: Auditor's Responsibilities Relating to Fraud In An Audit of Financial Statements (MIA) • Webinar on "COVID-19 & Current Economic Reality: Implications for Financial Stability" (FIDE)	• 07/11/2019 • 08-09/01/2020 • 15/01/2020 • 05/03/2020 • 14/04/2020
5.	Nik Abdul Malik bin Nik Mohd Amin	• Cyber Security in the Boardroom "Accelerating from Acceptance to Action" (Deloitte)	• 27/06/2019
6.	Dato' Harun bin Md Idris	• NA	
7.	Dato' Haji Razali bin Mohd Yusof	• NA	
8.	Datin Shelina binti Razaly Wahi	• Ministry of International Trade & Industry / NAICO (National Aerospace Industry Coordinating Office) Transportation Working Group engagement for the 12th Malaysia Plan • Airline Economics Growth Frontiers Conference, Hong Kong • British Malaysian Chamber of Commerce SME Conference • Webinar on "Covid-19 exogenous shocks", organised by Ishka Advisory • Webinar on "Coronavirus 19 - Impact on Aviation", organised by Airline Economics • Webinar on "Aerospace Leaders on Surviving a Crisis" organised by Flight Global	• 20/08/2019 • 04-06/11/2019 • 04/12/2019 • 25/03/2020 • 27/03/2020 • 16/04/2020

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

(II) Board Composition (cont'd)

Access to appropriate continuing education programmes (cont'd)

No.	Name of Director	Topic / Organiser	Date
8.	Datin Shelina binti Razaly Wahi (cont'd)	• Webinar on "Coronavirus 19 - Impact on Aviation - The view from Asia", organised by Airline Economics • Webinar on "The Lawyers' Survival Guide to Covid-19, with reflections from legal practitioners and industry specialists from across the globe", organised by the International Bar Association • Dialogue with Dato Azman (CEO of MIDA) on "Sailing Together in Rougher Weather" organised by CCIFM (the French-Malaysian Chamber) • Webinar on "The Airline Game Plan for 2020: The Only Way is Up" organised by Ishka Advisory • Dialogue on "The Outlook for Business Aviation in Asia" by Asian Sky Fleet • Webinar on "The Impact of COVID-19 on the Malaysian Air Transportation Industry" organised by the EUMCCI (European-Malaysian Chamber of Commerce)	• 17/04/2020 • 21/04/2020 • 21/04/2020 • 22/04/2020 • 22/04/2020 • 30/04/2020

Two of the Directors namely, Dato' Harun bin Md Idris and Dato' Haji Razali bin Mohd Yusof were not able to attend any training programme during the financial year under review. This is due to scheduling conflicts of the Directors and the inability to identify any training course that was of particular benefit to their role as a Director of M&G.

(III) Board Remuneration

Formal and transparent remuneration policies and procedures

The Board adopted a Board Remuneration Policy applicable for its Board on 29 November 2017. The Board Remuneration Policy is available for viewing on the Company's website (www.marine-general.com.my).

The remuneration of the Executive Directors is structured on the basis of linking rewards to corporate and individual performance. For Non-Executive Directors, the level of remuneration reflects the experience and level of responsibilities. The Board as a whole recommends the fees for the Directors with individual Directors abstaining from decisions in respect of their individual remuneration. The fees payable to the Directors are subject to the approval of shareholders.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

(III) Board Remuneration (cont'd)

Formal and transparent remuneration policies and procedures (cont'd)

The breakdown of the remuneration for the Directors of the Company during the financial year is as follows:

	Salary RM'000	Bonus RM'000	Fees RM'000	EPF RM'000	Allowances RM'000	Benefits in Kind RM'000	Total RM'000
Dato' Mohd Azlan Hashim							
- Company	1,073	298	-	160	-	169	1,700
- Group	1,073	298	-	160	-	169	1,700
Tan Sri Datuk Seri Razman M Hashim							
- Company	-	-	80	-	7	-	87
- Group	-	-	80	-	7	-	87
Tai Keat Chai							
- Company	-	-	84	-	18	-	102
- Group	-	-	84	-	18	-	102
Nik Abdul Malik bin Nik Mohd Amin							
- Company	-	-	66	-	16	-	82
- Group	-	-	66	-	16	-	82
Dato' Harun bin Md Idris							
- Company	-	-	60	-	7	-	67
- Group	-	-	72	-	10	-	82
Dato' Haji Razali bin Mohd Yusof							
- Company	-	-	76	-	18	-	94
- Group	-	-	76	-	18	-	94
Shariffuddin bin Khalid							
- Company	-	-	72	-	14	-	86
- Group	-	-	84	-	16	-	100
Datin Shelina binti Razaly Wahi							
- Company	-	-	42	-	7	-	49
- Group	-	-	42	-	7	-	49

PRINCIPLE B: EFFECTIVE AUDIT & RISK MANAGEMENT

(I) Audit Committee

Effective and independent Audit Committee

The Company's Audit Committee was originally formed by the Board at its meeting on 16 August 2002. During the financial year ended 30 April 2020, the Audit Committee is comprised of the following:

1. Dato' Haji Razali bin Mohd Yusof (Chairman of the Audit Committee, Independent Non-Executive Director);
2. Tai Keat Chai (Non-Independent Non-Executive Director);
3. Shariffuddin bin Khalid (Independent Non-Executive Director); and
4. Datin Shelina binti Razaly Wahi (Independent Non-Executive Director).

The Company had convened a total of 6 Audit Committee Meetings during the financial year ended 30 April 2020. Among the matters deliberated during the year include:

1. The internal audit reports tabled by the Company's internal auditors, Messrs Tricor Axcelasia Sdn Bhd.
2. The Company's quarterly financial results and audited financial statements.
3. The Company's audit plan.

Please refer to Audit Committee Report for the summary of work of Audit Committee on pages 36 and 37 of this Annual Report for further details.

The Company's Audit Committee is made up of members with a wide range of skills and experience. All members are financially literate.

In terms of originating from a financial or accounting background, Mr Tai Keat Chai, is a Fellow of the Institute of Chartered Accountants in England & Wales as well as a member of the Malaysian Institute of Accountants. In addition, En Shariffuddin bin Khalid, is a Fellow of the Chartered Institute of Management Accountants.

Policies and procedures to assess the suitability and independence of external auditors

The Board maintains, via the Audit Committee, an active, transparent and professional relationship with its External Auditors. The role of the Audit Committee in relation to the External Auditors is disclosed in the Audit Committee Report set out on page 36 of the Annual Report. The Company's current External Auditors, Messrs KPMG PLT, were appointed to the position at the Company's Annual General Meeting since 13 December 2013 replacing the previous External Auditors.

The Company adopted its External Auditors Independence Policy on 23 August 2018. The policy sets out the selection and appointment, independent requirements, approvals for services to be rendered by the external auditors, monitoring and reporting requirements, independence statements by directors, external audit performance review, consequences of breach, hiring personnel of the external auditors and performance measures & non-conformance criteria.

Both the Audit Committee and Board have considered the external auditors' performance and independence for the financial year ended 30 April 2020. Based on the assessment, it has been determined that the external auditors continue to be objective and remain independent of the Company.

In addition, a written assurance from the external auditors confirming that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements have been obtained by the Company.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE B: EFFECTIVE AUDIT & RISK MANAGEMENT (CONT'D)

(II) Risk management and internal control framework

Establishment of a risk management and internal control framework

The Board acknowledges its overall responsibility for ensuring that a sound system of internal control is maintained throughout the Group and the need to review its effectiveness regularly. The Board recognises that risks cannot be totally eliminated and the system of internal controls instituted can only help to minimize and manage risks and provide some assurance that the assets of the Company and of the Group are safeguarded against material loss and unauthorized use and that the financial statements are not materially misstated.

The Audit Committee is tasked by the Board with the duty of reviewing and monitoring the effectiveness of the Company's system of internal controls. The Statement on Risk Management and Internal Control set out on page 39 to 42 of this Annual Report provides an overview of the Group's approach to risk management and internal control framework, and the adequacy and effectiveness of this framework.

Internal Audit function

The Company's internal audit function is delegated to Tricor Axcelasia Sdn Bhd. The internal audit staff on the Engagement Team are free from any relationships or conflicts of interest, which could impair their objectivity and independence.

The number of staff deployed for the internal audit reviews ranged from 4 to 5 staff per visit including the Engagement Partner. The staff involved in the internal audit reviews possess the necessary qualifications to discharge their function. Most of them are also members of the Institute of Internal Auditors Malaysia.

The Engagement Partner is En. Noradlan Abdul Latif who has diverse professional experience in internal audit, risk management and corporate governance advisory. He is a Member of the Institute of Internal Auditors Malaysia and a Chartered member of the Malaysian Institute of Accountants. Noradlan has a Certification in Control Self-Assessment (United States) and a Bachelor's Degree in Accounting from University Utara Malaysia.

The internal audit for the year under review was conducted using a risk-based approach and was guided by the International Professional Practice Framework (IPPF).

Risk Management Committee

The Board has also set up a Risk Management Committee, to assist the Board to oversee the Company's investment activities, approving appropriate investment appraisal procedures as well as identification of strategic investment opportunities of the Group.

During the financial year, the Risk Management Committee is comprised as follows:

1. Tai Keat Chai (Chairman of the Risk Management Committee, Non-Independent Non-Executive Director);
2. Dato' Haji Razali bin Mohd Yusof (Independent Non-Executive Director);
3. Nik Abdul Malik bin Nik Mohd Amin (Non-Independent Non-Executive Director); and
4. Mohd Nizam bin Abd Wahab.

PRINCIPLE B: EFFECTIVE AUDIT & RISK MANAGEMENT (CONT'D)

(II) Risk management and internal control framework (cont'd)

Risk Management Committee (cont'd)

The Company had convened a total of 4 Risk Management Committee Meetings during the financial year ended 30 April 2020. Among the matters deliberated during the year include:

1. Review of the cashflow position of subsidiaries.
2. Review of the financing arrangements of the subsidiaries.
3. Incorporation of new subsidiaries.
4. Acquisition / Disposal of vessels.
5. Other operating risks of the Group.

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

(I) Communication with stakeholders

Transparent and regular communication with stakeholders

The Board values constant dialogue and is committed to having effective and transparent communication with its stakeholders. While it endeavours to provide as much information as possible to its shareholders and stakeholders, it is mindful of the legal and regulatory framework governing the release of material and price-sensitive information. As such, the Company's General Meetings represent the platform by which the Board maintains its communication with shareholders. During such meetings, shareholders in attendance freely interact with the Board as well as Management, using this opportunity to seek clarification or voice their opinions and concerns regarding the business of the Company.

The Company has also established a website at http://www.marine-general.com.my from which investors and shareholders can access information relating to the Company, its businesses and periodic performance reports. The website is updated periodically to reflect key changes to the Company. Besides, a designated person is assigned with the email address and contact number to address any queries from the stakeholders and the public.

Regarding communication with staff, this is done via the quarterly Board meetings and various Committee meetings attended by both Board members and Management. On a less formal level, the Board will engage with the Management as and when the need arises throughout the year.

In addition to the above, the Company, via its Management, also conducts periodic meetings with its bankers/financiers to ensure they are apprised of the important business developments at the Company.

Existence of appropriate corporate disclosure policies and procedures

The Board acknowledges the importance of ensuring that it has in place appropriate corporate disclosure policies and procedures which leverage on information technology as recommended by the Code. The Company currently observes and complies with the disclosure requirements as set out in Bursa Securities' Main Market Listing Requirements, guided by Bursa Securities' Corporate Disclosure Guide. The Board has also approved and adopted a Corporate Disclosure Policy which outlines the Group's approach towards the determination and dissemination of material information, the circumstances under which the confidentiality of information will be maintained, response to market rumours and restrictions on insider trading. This Policy also provides guidance and structure in disseminating corporate information to, and in dealing with, investors, analysts, media and the investing public. The Corporate Disclosure Policy is available for viewing on the Company's website (www.marine-general.com.my).

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (CONT'D)

(II) Conduct of General Meetings

Issuance of Notice

The Board is cognisant of the value of General Meetings as a means whereby the Board and Management of the Company can interact with shareholders. Given this, the Company has always issued notices for its General Meetings ahead of time and within what is prescribed by the prevailing laws and regulations. It is the Board's intention to ensure that the Company continues to observe the prevailing regulations.

Attendance by Directors

Seven (7) out of eight (8) members of the Board attended the Company's 22nd Annual General Meeting and provided meaningful responses whenever questions were addressed to them. The Board expects that, unless there are unavoidable circumstances, all of its members will be in attendance for the upcoming 23rd Annual General Meeting as well.

Use of technology to facilitate voting in absentia and remote participation

The Board values the participation of its shareholders at the Company's General Meetings. As such, it has been conducting its General Meetings in easily accessible locations within the Kuala Lumpur / Petaling Jaya area to ensure the majority of its shareholders are able to attend and participate in the meetings, should they choose to do so. Given the reception and participation at the General Meetings held thus far, the Board does not foresee a need for a change in location in the foreseeable future.

The Board is also mindful of the trend to incorporate more technology into General Meetings to enable remote participation. While the Board welcomes this trend, it does not see the need to incorporate such technologies into its General Meetings just yet, given the Company's relatively small shareholder base and the fact that it has historically been holding its General Meetings within the Kuala Lumpur / Petaling Jaya area.

COMPLIANCE STATEMENT

The Board recognises and views that Corporate Governance is an on-going process and is of the view that the Company has substantially complied with the principles of the Code and will take appropriate steps towards embracing the Principles under the Code at a pace and time frame consistent with the size, priority and dynamics of the Group.

This statement is made in accordance with the approval of the Board dated 27 August 2020. The accompanying Corporate Governance Report in relation to the Company's application of the Code may be viewed on the Company's website (www.marine-general.com.my).

DATO' MOHD AZLAN HASHIM
Executive Chairman

AUDIT COMMITTEE REPORT

FORMATION

The Audit Committee was formed by the Board of Directors at its meeting on 16 August 2002. The objective of the Audit Committee is to assist the Board of Directors in fulfilling its fiduciary responsibilities relating to internal controls, financial and accounting records and policies as well as financial reporting practices of the Company and its subsidiaries (“the Group”).

COMPOSITION

The members of the Audit Committee during the financial year were as follows:

1. Dato’ Haji Razali bin Mohd Yusof (appointed as Chairman of the Committee on 30 October 2019)
   (Independent Non-Executive Director)
2. Tai Keat Chai (resigned as Chairman of the Committee on 30 October 2019 and thereafter remains as Member of the Committee)
   (Non-Independent Non-Executive Director)
3. Shariffuddin bin Khalid
   (Independent Non-Executive Director)
4. Datin Shelina binti Razaly Wahi (appointed on 30 October 2019)
   (Independent Non-Executive Director)
5. Nik Abdul Malik bin Mohd Amin (resigned on 30 October 2019)
   (Non-Independent Non-Executive Director)

The composition of the Audit Committee and qualification of its members comply with Paragraph 15.09(1) of Bursa Malaysia Securities Berhad’s Main Market Listing Requirements.

During the financial year under review, the Audit Committee consists of a majority of independent non-executive directors. Mr Tai Keat Chai is a Fellow of the Institute of Chartered Accountants in England & Wales as well as a member of the Malaysian Institute of Accountants while En Shariffuddin bin Khalid is a Fellow of the Chartered Institute of Management Accountants.

Terms of reference of the Audit Committee are available for viewing on the Company’s website at www.marine-general.com.my.

MEETING AND ATTENDANCE

During the financial year ended 30 April 2020, the Audit Committee held six (6) meetings and the attendance of the Audit Committee members was as follows:

	Number of Meetings Attended
Dato’ Haji Razali bin Mohd Yusof	6/6
Tai Keat Chai	6/6
Shariffuddin bin Khalid	6/6
Nik Abdul Malik bin Nik Mohd Amin	4/4
Datin Shelina binti Razaly Wahi	2/2

The Company Secretary and the General Manager, Finance attended all meetings, while the Internal Auditors attended four (4) and the External Auditors attended two (2) of the meetings. In addition, the Audit Committee had one (1) private session with the External Auditors without the presence of the Management during the financial year.

AUDIT COMMITTEE REPORT

SUMMARY OF ACTIVITIES

The meetings of the Audit Committee and their tentative agendas were scheduled in advance at the beginning of the new financial year to facilitate the Audit Committee to plan and fit the meetings into their schedules. The Audit Committee meets every quarter to review and deliberate on quarterly financial reports and annual financial statements, the enterprise risk management reports, the Group internal audit reports and other relevant matters within the Audit Committee's terms of reference.

Minutes of the Audit Committee meetings which include records of the deliberations, decisions and resolutions of the meetings are properly maintained by the Company Secretaries, who are also the Secretaries of the Audit Committee.

The General Manager, Finance is invited to the Audit Committee meetings to facilitate the discussion as well as to provide explanation on audit issues, risk management, financial and other relevant matters within the terms of reference of the Audit Committee. The Upstream Divisions' Chief Executive Officer ("CEO") and the Downstream Division Executive Director together with the relevant management personnel are also invited to provide clarification on any relevant internal audit report tabled to the Audit Committee. The External Auditors are also invited to present their audit plan and audit results and other relevant matters.

SUMMARY OF WORK OF THE AUDIT COMMITTEE

During the financial year ended 30 April 2020, the Audit Committee undertook the following activities in discharging its functions and duties:

a. Financial reporting

- Reviewed and discussed with appropriate officers the quarterly and annual financial statements of the Group and of the Company focusing particularly on:
  - significant changes in accounting policies and estimates;
  - significant judgments made by Management;
  - compliance with the applicable financial reporting standards and other relevant regulatory requirements;
  - significant audit adjustments; and
  - comments and responses to audit issues and other legal requirements to ensure that the financial statements present a true and fair view of the Group and of the Company's financial performances prior to the recommendation of the same to the Board for approval and subsequently for public release.
- Deliberated on the management accounts and reports of operating subsidiaries.
- Discussed the implications of any latest changes and pronouncements issued by the statutory and regulatory bodies on the Group and the Company.
- Deliberated significant accounting / audit issues and unusual events or transactions and reasonableness of accounting standards application highlighted by the External Auditors and / or Management to derive the financial statements and ensured that appropriate action was taken.

b. External audit

- Prior to the audit, reviewed and discussed with the External Auditors the nature and scope of the audit, and discussed the potential issues that may arise.
- Reviewed all significant judgments made by the Management.
- Reviewed the results and issues arising from the statutory audit and the resolution of issues highlighted in the report to the Audit Committee.
- Met with the External Auditors without the presence of the Executive Directors and Management in the Audit Committee meetings to enquire on significant findings and / or Management cooperation level.

SUMMARY OF WORK OF THE AUDIT COMMITTEE (CONT'D)

c. Internal audit

- Reviewed and approved the internal audit plan.
  Key areas of audit engagement covered during the financial year under review were as follows:
  - operations management;
  - financial management;
  - procurement management;
  - strategic management;
  - safety, health, environment and security;
  - commercial and business development; and
  - marine personnel department.
- Reviewed internal audit reports and ensured that appropriate agreed corrective actions are taken by the Management to address the gaps in controls and procedures as identified by the Internal Auditors.
- Reviewed the responses and action plans provided by the Management on the deliberated audit reports.
- Reviewed the adequacy and effectiveness of agreed corrective actions taken by the Management on all significant and secondary issues raised in the audit reports.

d. Other activities

- In relation to enterprise risk management, reviewed the updated risk profile of the Group and major initiatives having significant impact on the Group businesses.
- Reviewed the adequacy of the Finance function of the Downstream Division against the finance good practices and the Company's expectations.

SUMMARY OF WORK OF INTERNAL AUDIT FUNCTIONS

The Company delegated its internal audit functions to Messrs. Tricor Axcelasia Sdn Bhd (formerly known as Axcelasia Columbus Sdn Bhd) in order to discharge its duties and responsibilities more effectively. The Internal Auditors performed the internal audits independently to ensure there were effective risk monitoring, internal controls, governance process and compliance procedures to provide the level of assurance required by the Board. The internal audit staff on the engagement are free from any relationships or conflicts of interest, which could impair their objectivity and independence.

The number of staff deployed for the internal audit reviews ranges from 4 to 5 staff per visit including the Engagement Partner. The staff involved in the internal audit reviews possesses professional qualifications and / or a university degree. Most of them are members of the Institute of Internal Auditors Malaysia. The Engagement Partner is Noradlan Abdul Latif who has diverse professional experience in internal audit, risk management and corporate governance advisory. He is a Member of the Institute of Internal Auditors Malaysia and the Malaysian Institute of Accountants. En Noradlan has a Certification in Control Self – Assessment (United States) and a Bachelor's Degree in Accounting from University Utara Malaysia.

The internal audit was conducted using a risk-based approach and was guided by the International Professional Practice Framework (IPPF). In the conduct of their audit, the Internal Auditors placed emphasis on risk-based auditing where the focus was on higher risk areas. The Internal Auditors reviewed the adequacy of the identified mitigations and evaluated the effectiveness and efficiency of the controls to mitigate the risk events.

The internal audit reports provide details of the audit findings and the corresponding recommendations which are monitored periodically to ensure the integrity and effectiveness of the Group's system of internal control.

AUDIT COMMITTEE REPORT

SUMMARY OF WORK OF INTERNAL AUDIT FUNCTIONS (CONT'D)

The Internal Auditors submitted their findings and recommendations to the General Manager, Finance and the Upstream Division CEO and the Downstream Division Executive Director for executive review before tabling the reports together with their responses at the Audit Committee meetings for decisions. At the Board meetings, the Chairman of the Audit Committee highlighted the key audit issues and overall decisions and resolutions made during the Audit Committee meetings to the Board members and made the relevant recommendations to the Board for consideration.

During the financial period under review, the Internal Auditors carried out audits according to the internal audit plan approved by the Audit Committee. Total cost incurred in discharging the internal audit function during the financial period ended 30 April 2020 was RM90,000.

BOARD'S CONCLUSION

The Board is satisfied that the Audit Committee has carried out its functions, duties and responsibilities in accordance with the terms of reference of the Audit Committee and there were no material misstatements, frauds and deficiencies in the systems of internal control not addressed by the Management.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

The Malaysian Code on Corporate Governance 2017 stipulates that the Board of Directors ("the Board") of listed companies shall maintain a sound system of internal control to safeguard shareholders' investment and the Group's assets. Set out below is the Group's Statement on Risk Management and Internal Control ("Statement"), made in compliance with Paragraph 15.26(b) and Practice Note 9 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers.

THE BOARD'S RESPONSIBILITY

The Board places importance on and is committed to maintaining effective risk management practices and a sound system of internal control within the Group to ensure good corporate governance. The Board affirms its responsibility for reviewing the adequacy and integrity of the Group's system of internal control and management information systems, including systems for compliance with applicable laws, rules, directives, guidelines and risk management practices.

The Board, particularly at the operating subsidiary level, sets the budgets for the coming year and clear, pre-defined Financial Authority Limits / Limits of Authority on Management to ensure major decisions, specifically with respect to investments or capital expenditures, are only undertaken after careful consideration by the Board and its various Board Committees, where appropriate. In addition to this, the Board also undertakes greater scrutiny of key decisions through its Board Risk Management Committee. The Board Risk Management Committee is tasked with thoroughly reviewing major investments being proposed and / or major commitments being considered, fine tuning them when necessary before making final recommendations to the Board.

Notwithstanding this, as with any internal control system, the Group's system of internal control is designed to manage rather than to eliminate the risk of failure to achieve business objectives. It follows, therefore, that the system of internal control can only provide reasonable but not absolute assurance against material misstatement or loss.

The Group has in place an on-going process of identifying, evaluating, monitoring and managing the key risks affecting the achievement of its business objectives throughout the year.

ASSURANCE MECHANISM

The Audit Committee is tasked by the Board with the duty of reviewing and monitoring the effectiveness of the Group's system of internal control. In carrying out its responsibilities, the Group has appointed Messrs. Tricor Axcelasia Sdn Bhd ("Tricor Axcelasia") to carry out internal audits based on a risk-based audit plan approved by the Audit Committee. Based on these audits, the Audit Committee is provided by Tricor Axcelasia with periodic reports highlighting observations, recommendations and management action plans to improve the system of internal control.

In addition to the internal assurance mechanism, the Group also received extensive and detailed Report to the Audit Committee and management letter from its External Auditors that primarily focuses on financial controls. The Report to the Audit Committee and the management letter were also presented to the Audit Committee for deliberations. In the event of any non-compliance, appropriate corrective actions have been taken in addition to amendments to the relevant procedures, if required.

Besides the above, the Audit Committee also conducted one (1) private meeting with the External Auditors to give opportunity to the External Auditors to raise any matters without executive Board members or the Management present.

The Audit Committee Report is set out on pages 35 to 38 of the Annual Report.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

THE GROUP'S SYSTEM OF INTERNAL CONTROL

Monitoring Mechanisms and Management Style

Scheduled periodic meetings of the Board, Board Committees and Management at the holding as well as operating subsidiary levels, represent the main platform by which the Group's performance and conduct is monitored.

In addition to separate periodic Management meetings at the Divisional level, the Company also undertakes periodic Management meetings at the Group level to ensure the senior management of the entire Group is aware of the key activities taking place within the Group.

Major business proposals and budgets for the coming year are generally recommended by the respective Divisional Management and evaluated and fine-tuned by the appropriate Board Committees before being presented for consideration by the Board.

In the absence of a Group CEO, the daily running of the business is entrusted to the Chief Executive Officer ("CEO") of Jasa Merin (Malaysia) Sdn Bhd ("JMM") for the Marine Logistics – Upstream Division, and the General Managers of the Marine Logistics – Downstream Division ("Downstream Division") and their management teams. The CEO of JMM reports directly to the Executive Vice-Chairman of JMM while in the case of the Downstream Division, the General Managers report to the Board of the Downstream Division holding company - M&G Marine Logistics Holdings Sdn Bhd. The CEO and the General Managers carry out their duties under pre-defined Financial Authority Limits / Limits of Authority set by the respective Boards. These Limits of Authority are reviewed from time to time to ensure continued relevance, effectiveness and efficiency.

Under the purview of the CEO and the General Managers, the heads of department are empowered with the responsibility of managing their respective operations. The CEO and the General Managers communicate the Board's expectations to management at management meetings as well as through attendance at various operations meetings. At these meetings, operational and financial risks are discussed and dealt with.

The Board is responsible for setting the business direction and overseeing the conduct of the Group's operations through various management reporting mechanisms. Through these mechanisms, the Board is informed of all major control issues pertaining to internal controls, regulatory compliance and risk taking.

Enterprise Risk Management Framework

In dealing with its stewardship responsibilities, the Board recognises that effective risk management is part of good business management practice. The Board acknowledges that all areas of the Group's activities involve some degree of risk, and is committed to ensuring that the Group has an effective risk management framework which will allow the Group to be able to identify, evaluate and manage risks that affect the achievement of the Group's business objectives within defined risk parameters in a timely and effective manner.

The risk management framework has been embedded in the Company's management systems. The Management assists the Board in implementing the process of identifying, evaluating and managing significant risks applicable to their respective areas of business and in formulating suitable internal controls to mitigate and control these risks.

The key elements of the Enterprise Risk Management ("ERM") activities include:

- Establishing ERM framework
- Risk assessment process
- Risk action implementation process
- Risk action monitoring process
- Continuous ERM monitoring and communication

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

THE GROUP'S SYSTEM OF INTERNAL CONTROL (CONT'D)

Enterprise Risk Management Framework (cont'd)

The Group has completed a comprehensive risk assessment process whereby significant risks are summarised into a risk map and presented to the Audit Committee for its consideration. Risk registers have been developed for each of the risks identified. Having identified those risks that can significantly affect the business and operations, dedicated risk owners were appointed (from the management team) to work on the development of key risk action plans required (as well as the implementation of such action plans) together with a group of risk co-owners across the departments. New developments in businesses and operations are subject to the risk assessment process as the risk profile of the business changes.

The risk management framework is based on the internationally recognized ISO31000 risk management standard. The Audit Committee and the Board review the internal control and risk management framework annually. No significant changes were made to the internal control and risk management framework arising from the review.

During the financial year under review, the Audit Committee and the Board assessed the key risks for the operating subsidiaries of both Upstream and Downstream Division. Various initiatives and proposals took place in the financial year for the improvement of the internal controls and risk management of the Group.

Key Elements of the Group's System of Internal Control

The current system of internal control in the Group has within it, the following key elements:

- Group vision, mission and corporate philosophy and strategic direction, which are communicated to employees.
- A Board that retains control over the Group with appropriate management reporting mechanisms that enable the Board to review the Group's progress.
- Board approved annual budgets and management plans.
- Management meetings involving discussions on operational issues at the subsidiary level.
- Comprehensive and clearly documented standard operating policies and procedures manuals that provide guidelines and authority limits over various operating, financial and human resource matters, which are subject to regular review for improvement.
- The use of the intranet as an effective means of communication and knowledge sharing.
- Communication of policies and guidelines in relation to human resource matters to all employees through a staff handbook which is also available on the intranet.
- A systematic performance appraisal system for all levels of staff.
- Relevant training provided to personnel across all functions to maintain a high level of competency and capability.

Internal Policies To Promote Governance

In addition to the Financial Authority Limits / Limits of Authority which set pre-defined limits on the authority levels of each member of Management up to the Executive Chairman / Vice-Chairman, the Group also adheres to several other sets of policies to ensure the governance structure remains robust.

The Group is committed to high standards of honesty, openness, and accountability. An important aspect of accountability and transparency is a mechanism to enable staff and other members of the Group to voice concerns in a responsible and effective manner. It is a fundamental term of every contract of employment that an employee will faithfully serve his or her employer and not disclose confidential information about the employers' affairs. Nevertheless, where an individual discovers information which they believe shows serious malpractice or wrongdoing within the organisation then this information should be disclosed internally without fear of reprisal.

As such, the Group has in place a Whistle-Blowing Policy ("Policy") which provides a safe and acceptable platform for employees to channel concerns about illegal, unethical or improper business conduct affecting the Company and about business improvement opportunities as to ensure that no member of staff should feel at a disadvantage in raising legitimate concerns.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

THE GROUP'S SYSTEM OF INTERNAL CONTROL (CONT'D)

Internal Policies To Promote Governance (cont'd)

The Policy allows the Management to take appropriate preventive and corrective actions without the negative effects that come with public disclosure, such as loss of image or reputation, financial distress, loss of investor confidence or a drop in value of the share prices. Through this policy, employees are encouraged to disclose concerns about illegal, unethical or improper business conduct which otherwise may not be easily detected through normal process or transaction.

The Group is committed to conduct business dealings with the highest level of integrity and ethics and to comply fully with applicable laws and regulatory requirements on anti-corruption. The Group has adopted a zero-tolerance approach against all forms of bribery and corruption and takes a strong stance against such acts. During the financial year under review, the Group adopted and implemented its own Anti-Bribery and Corruption Policy ("ABAC Policy"), based on the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and Section 17A of the Malaysia Anti-Corruption Commission Act 2009 ("MACC Act"). The ABAC Policy sets out the Group's policies to prevent acts of bribery and corruption, and is published on the Company's website at www.marine-general.com.my.

THE BOARD'S COMMITMENT

The Board recognises that the Group operates in a dynamic business environment in which the internal control system must be responsive in order to be able to support its business objectives. To this end, the Board remains committed to maintaining a sound system of internal control and believes that a balanced achievement of its business objectives and operational efficiency can be attained.

ADEQUACY AND EFFECTIVENESS OF RISK MANAGEMENT AND INTERNAL CONTROL

The Executive Chairman and the General Manager, Finance of the Company have provided the Board with an assurance that the Group risk management and internal control systems are operating adequately and effectively, in all material aspects, to ensure achievement of corporate objectives.

Taking into consideration the assurance from the management team, the Board is of the view that the system of risk management and internal controls in place for the year under review is sound and adequate to safeguard the Group's assets.

REVIEW OF THE STATEMENT BY INDEPENDENT AUDITORS

The External Auditors have reviewed this Statement on Risk Management and Internal Control pursuant to the scope set out in Audit and Assurance Practice Guide ("AAPG") 3, Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report issued by the Malaysian Institute of Accountants ("MIA") for inclusion in the annual report of the Group for the financial year ended 30 April 2020, and reported to the Board that nothing has come to their attention that would cause them to believe that the statement intended to be included in the annual report of the Group, in all material respects:

a) has not been prepared in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, or
b) is factually inaccurate.

AAPG 3 does not require the External Auditors to consider whether the Directors' Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Board of Directors and management thereon. The auditors are also not required to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the annual report will, in fact, remedy the problems.

This statement is made in accordance with the approval of the Board dated 27 August 2020.

SUSTAINABILITY STATEMENT

1. COMMITMENT TO SUSTAINABILITY

Marine & General Berhad ("M&G" or the "Company") and our subsidiaries (the "Group" or "we") remain committed to conducting its businesses in a sustainable manner.

This Sustainability Statement ("the Statement") adheres to the Global Reporting Initiative ("GRI") Standards and the enhanced reporting requirements incorporating Sustainability Reporting Guide, 2nd Edition ("SRG") issued by Bursa Malaysia Berhad ("Bursa Malaysia") in the year 2018.

This Statement covers the business operations of both the Marine Logistics – Upstream ("Upstream") and Marine Logistics – Downstream ("Downstream") divisions of the Company. Both divisions are key operating subsidiaries that contribute significant revenue to M&G's overall financial performance. A significant portion of this Statement will focus on the Upstream division spearheaded by Jasa Merin (M) Sdn Bhd ("JMM") as it has more developed and mature internal processes from the number of years in operation as compared to other subsidiaries. The Statement covers the financial year ended ("FYE") 30 April 2020 for a reporting period from 1 May 2019 to 30 April 2020.

The last few months of the financial year under review were extremely challenging with various events coming together to adversely affect business sentiment ranging from US-China trade war, the COVID-19 pandemic and the significant decline in global oil prices. Their cumulative impact led to a lower demand for the services offered by the Company, specifically those offered by the Upstream division.

2. SUSTAINABILITY GOVERNANCE

The respective Boards of JMM and Jasa Merin (Labuan) Plc ("JML") continue to provide the necessary oversight to both companies during the financial year under review. The Chief Executive Officer ("CEO") of JMM is responsible to oversee the implementation of JMM's sustainability processes to ensure core sustainability objectives are achieved and are monitored through monthly management meetings. With regards to JML, all relevant sustainability matters are driven directly by its Board. The results of sustainability objectives, activities and achievements are updated and reported to the M&G Board during quarterly meetings.

Key stakeholders

We define our stakeholders in accordance with Bursa Malaysia's SRG of which stakeholders are defined as any individuals, communities and entities that may be impacted by M&G's business operation.

These stakeholders were identified in 2019 and no changes were made as decided through several discussions held with key senior management of both JMM and JML. The following table describes our stakeholders and how we engage with them:

No.	Stakeholders	Description	Method of Engagement
1.	Shareholders / investors	Investors provide the Group with the financial capacity for business operation and growth. Key to engage with shareholders continuously ensuring they understand the Group's operation, strategies and business growth.	• Annual General Meeting • Annual Reports • Bursa Malaysia announcement • Corporate website and links to Bursa Malaysia's website

2. SUSTAINABILITY GOVERNANCE (CONT'D)

Key stakeholders (cont'd)

No.	Stakeholders	Description	Method of Engagement
2.	Customers	Focus on customer segments of Oil/ Chemical Traders, Oil Majors and Palm Oil traders	• Daily through various channels such as e-mails, site visits, social media and brochures • Corporate events
3.	Industry associations and Non-Governmental organisations	JMM is a member of Malaysia Offshore Support Vessels Association	• Meetings • Continuous contribution of ideas and feedback on industry issues • Involvement in associations activities
4.	Employees	Our employees are critical in our operation and the achievement of our Group objectives	• Company annual dinner / festival functions and celebrations • Informal periodic departmental meetings
5.	Suppliers / Contractors	Collaboratively execute our growth strategies	• Suppliers audit and review • Meetings • Emails and phone calls communication • Suppliers' briefing

3. MATERIALITY ASSESSMENT AND KEY SUSTAINABILITY MATTERS

A materiality assessment was performed in 2019 to identify and prioritise key sustainability matters. A combination of internal and external factors was considered when assessing sustainability matters. A total of nine (9) sustainability matters were identified and subsequently grouped into 3 main themes – Economy, Environment and Social. In this FYE 30 April 2020, Senior Management decided to maintain these nine (9) sustainability matters as there were no significant changes to M&G business operations. The nine (9) key sustainability matters identified are outlined in the diagram below:

3. MATERIALITY ASSESSMENT AND KEY SUSTAINABILITY MATTERS (CONT'D)

Material Sustainability Matters

Economy

- Procurement practice
- Anti-corruption

Environment

- Energy Efficiency
- Effluents and waste management
- Environmental compliance

Social

- Employment
- Employment diversity and equal opportunity
- Occupational safety and health
- Local community

(a) Economy

Procurement Practice

The Group sources a significant portion of its products and services essential to its business from domestic suppliers. This in turn, helps support local businesses and the domestic economy.

Both JMM and JML implemented a Procurement Policy to ensure products and services procured in the ordinary course of business are fit for purpose and represent value for money. Both sets of Procurement Policies specify high standards of ethical conduct ensuring a fair assessment from tender exercise to finally awarding contracts to vendors.

Code of Conduct and Ethics

The Group sets high standards and expectations for its employees to act ethically, professionally and with integrity whenever dealing with external stakeholders. Both JMM and JML have an Employee Code of Conduct adopted from M&G's Employee Code of Conduct to guide their employees on expectations as well as set parameters for acceptable professional behaviour amongst the staff.

The Code of Conduct, that is made available to all employees, was updated recently in 2020. In recent years, it has also been revised and expanded to include provisions on anti-bribery, corruption, insider trading and money laundering.

Anti-Corruption and Bribery

The Group is committed to conducting its business ethically and in compliance with all applicable laws and regulations, including but not limited to the Malaysian Anti-Corruption Act, Malaysian Penal Code (revised 1977) (and its amendments), the Companies Act 2016 (Malaysia) and other relevant regulations enforced in countries where we operate. These laws prohibit bribery and corruption. In response to the latest Malaysian regulatory development pertaining to anti-corruption, M&G established its stand-alone Anti-Bribery and Corruption Policy ("ABAC Policy") in 2020.

SUSTAINABILITY STATEMENT

3. MATERIALITY ASSESSMENT AND KEY SUSTAINABILITY MATTERS (CONT'D)

(a) Economy (cont'd)

Whistle-Blowing Policy

M&G and the two main operating subsidiaries namely JMM and JML are committed to high standards of openness and accountability. The Company adopted its Whistle-Blowing Policy in 2012 as a safe and acceptable platform for employees to channel their concerns about illegal, unethical or improper conduct affecting the Group. This Policy was reviewed and updated in November 2017. The Whistle-Blowing Policy is available on our corporate website at www.marine-general.com.my.

(b) Environment

Effluents and Waste Management

Both JMM and JML monitor any effluent and waste generated by its vessels through physical observation and on a sample basis, tests any suspected leakages, effluent and waste around the vessels. Preventive actions are identified and controls are established to prevent any pollution and environmental hazards.

In addition to the above, vessel maintenance also plays an important role in minimising harmful effluents. The maintenance for the vessels operated by JMM and JML were outsourced to a third party during the financial year under review. The service provider ensures that the maintenance services comply with international maritime regulations relating to environmental performance and safety. This inspection covers the vessels cargo and ballast capacities to the coating of the vessels' paint. This is to ensure minimal pollution impact to the environment and a safe working environment for the crew working onboard. The inspections conducted are in accordance with the rules and regulation specified by the International Maritime Organization ("IMO").

Environmental Compliance

The Group also takes cognisance of the safety regulations set by the IMO. The relevant affected subsidiaries within the Group have taken note of the ruling that the use of sulphur in fuel must not exceed 0.5% from 2020 onwards. [1] The Group is continuously monitoring the standards for marine fuel in Emission Control Areas ("ECAs").

In FYE 2020 (FYE2019: Nil), no fine or penalty for non-compliance of environmental regulations has been imposed on the Group.

(c) Social

The safety and wellbeing of the Group's employees and external parties it deals with continue to be the Group's priority. The Group strives to ensure a conducive working environment for employees and external parties involved in its business operations.

Employment Benefits

Both JMM and JML provide a competitive compensation and benefits package to their respective employees. These are aligned with industry practices and are reviewed periodically.

[1] Source: IMO Marine Engineering Regulations, IMO, August 2018
http://www.dieselnet.com/standards/inter/imo.php

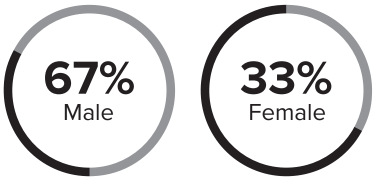
3. MATERIALITY ASSESSMENT AND KEY SUSTAINABILITY MATTERS (CONT'D)

(c) Social (cont'd)

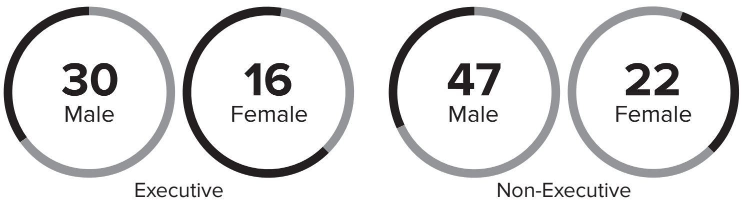
Diversity and Equal Opportunity

JMM and JML, being two key subsidiaries of M&G, recognise the benefits of increasing diversity as an essential element in maintaining a competitive advantage. Guided by the Corporate Diversity Policy issued at the M&G level, both JMM and JML have strived to improve the diversity of their respective workforce.

In FYE 2020, the Group has a total employee strength of 115 (2019: 111). The Group's employee gender profile composition has been consistent for the past 3 years; 33% Female and 67% Male (2019: 33% Female, 67% Male). Despite the Group efforts to diversify its gender composition, the involvement of female employees in offshore marine support services and logistics is mainly in the administration and management function.



Employee Profile by Gender FYE 2020



Employee Profile by Catagory and Gender FYE 2020

The Group recognises female contribution to its business operation and will continue to add female employees as part of its workforce to ensure a more balanced workforce.

Coronavirus Disease - COVID-19

The coronavirus outbreak 2019 ("COVID-19") is an unprecedented event. As the situation evolves, the critical priority for M&G Group is to ensure the health and safety of employees and people involved in its operation.

Broadly, the Group implemented several measures in line with the standard operating procedures ("SOP") outlined by Malaysia's Ministry of Health ("MOH"), Ministry of Trade and International Industry ("MITI") and Ministry of Home Affairs ("MOHA") to ensure the health and safety of our employees.

In order to protect the wellbeing of our employees, customers, and the viability of the business a Work from Home programme was implemented during the lockdown. Employees were gradually allowed to return to the office after the lockdown was eased during the Recovery Movement Control Order ("RMCO"). Following the resumption of office hours, employees and visitors to our office are required to adhere to the prevailing SOP as part of the efforts against the pandemic.

3. MATERIALITY ASSESSMENT AND KEY SUSTAINABILITY MATTERS (CONT'D)

(c) Social (cont'd)

Occupational Safety and Health

The Group is committed to providing high standards of safety and working conditions for its employees and to the continual improvement of its safety performance.

This commitment is particularly clear at JMM, where a Safety & Health Committee was established to assist in the development of safety rules and systems as well as to review the effectiveness of existing safety programmes at the Company. The Safety & Health Committee consists of sixteen (16) members which include six (6) management representatives and seven (7) employee representatives.

JMM strictly abides with the statutory rules and requirements relating to Health, Safety and Environment protection which include those under IMO and International Safety Management ("ISM") Code and Health, Safety and Environment Management System ("HSEMS"). During the FYE, we have improved our data collection to include all our vessels and from improved utilisation. This strict adherence enabled both JMM and JML to achieve ZERO Lost Time Injury (2019: ZERO) during FYE 2020 out of a total of 29,431,336 (FYE2019: 1,530,268 manhours) manhours worked.

JMM received numerous safety awards from customers including PETRONAS Carigali Sdn Bhd ("PCSB") and ExxonMobil Exploration and Production Malaysia Inc. ("EMEPMI") reflecting JMM's strong safety culture. These awards represent JMM's unwavering commitment towards health, safety and environmental matters.

YEAR	AWARDS
2019	INTERNATIONAL PETROLEUM CORP - Outstanding HSE Reporting Performance and Zero Recordable Incidents for the Year
2019	ENQUEST - In Recognition of Outstanding and Excellent HSE Performance Contributing to the Safe Result in Conjunction with 2019 Contractor HSE Forum on 19 November 2019
2019	SHELL - MARINE SERVICES 238 DAYS - Excellent Service and Contribution towards achieving Zero Breakdown on Main Engine, Genset or Bow Thruster from 29 January 2019 to 25 September 2019
2019	PCSB - JM Ehsan In Recognition of Valuable Contribution for Enforcing 'STOP WORK' from January to August 2019
2019	HESS - In Recognition of Outstanding Contribution and Excellence Service in Achievement of 2018 CEO Award for Safety Excellence (North Malay Basin Logistics Team)
2019	PTTEP - For Implementation of Positive Safety Culture and Safe Work Practices at Our Facilities during Major Shutdown from 5 – 15 April 2019
2018	HESS - 2018 Logistics Home Safe Award - In Recognition for 2018 LTI Free Operations and Safety Excellence Performance

3. MATERIALITY ASSESSMENT AND KEY SUSTAINABILITY MATTERS (CONT'D)

(c) Social (cont'd)

Alcohol and Drug Policy

Both JMM and JML have a strict Alcohol and Drug Policy to ensure a safe working environment for all personnel, including passengers, on board vessels in both JMM and JML fleet. Under this policy, JMM and JML maintain a right to conduct periodic examination for alcohol and drug abuse on its employees and vessel crews. Any violation of the policy will result in a strict disciplinary action taken to curtail abuses and to ensure discipline is maintained at all times.

Stop Work Policy

JMM also has put in place a Stop Work Policy that empowers each employee to have the right to stop work if deemed necessary for the preservation of health and safety of the crews and workers, prevent damage to property and / or in order to protect the environment from pollution.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are required by the Companies Act 2016 ("CA") to prepare the financial statements for each financial year which has been made out in accordance with the applicable Malaysian Financial Reporting Standards, the International Financial Reporting Standards, the requirements of the CA and Bursa Malaysia Securities Berhad's Main Market Listing Requirements.

The Directors are responsible to ensure that the financial statements give a true and fair view of the state of the Group and of the Company at the end of the financial year, and of the results and cash flows of the Group and of the Company for the financial year.

In preparing the financial statements, the Directors have:

- Adopted appropriate accounting policies and applied them consistently;
- Made judgments and estimates that are reasonable and prudent; and
- Prepared the financial statements on going concern basis.

The Directors are responsible to ensure that the Group and the Company keep accounting records which disclose the financial position of the Group and of the Company with reasonable accuracy, enabling them to ensure that the financial statements comply with the CA and Main Market Listing Requirements and the requirements of the applicable approved Financial Reporting Standards issued by the Malaysian Accounting Standards Board.

The Directors have the overall responsibility for taking such steps that are reasonably available to them to safeguard the assets of the Group and of the Company, and to detect and prevent fraud and other irregularities.

ADDITIONAL COMPLIANCE INFORMATION

The information set out below is disclosed in compliance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad:-

1. STATUS OF UTILISATION OF PROCEEDS RAISED FROM CORPORATE PROPOSAL

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 current financial year, 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 to China and India respectively.

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.

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.

ADDITIONAL COMPLIANCE INFORMATION

1. STATUS OF UTILISATION OF PROCEEDS RAISED FROM CORPORATE PROPOSAL (CONT'D)

Notes: (cont'd)

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. Accordingly, the Revised Timeframe has ended on 28 April 2020, and the balance proceed of RM22.6 million will be utilised for the Group future working capital requirements.

2. AUDIT AND NON-AUDIT FEES

The amount of audit fees paid or payable to the external auditors, Messrs. KPMG PLT, for services rendered to the Group and the Company for the financial year ended 30 April 2020 amounted to RM277,000 and RM55,000 respectively.

The non-audit fees paid or payable to the external auditors, Messrs. KPMG PLT, and their affiliated companies for services rendered to the Group and the Company for the financial year ended 30 April 2020 amounted to RM183,000 and RM183,000 respectively as follows:

		Group RM	Company RM
1.	Professional services in connection with the:	175,000	175,000
	a. Proposed issuance of 1.5 billion new ordinary shares in Marine & General Berhad ("M&G Shares") at the issue price of RM0.10 per M&G Share amounting to RM150.0 million upon the surrender of 150.0 million irredeemable preference shares of RM1.00 each in Jasa Merin (Malaysia) Sdn Bhd ("JMM") ("JMM PS") by the holders of JMM PS; and		
	b. Proposed subscription of up to 150 million new cumulative non-convertible redeemable preference shares in JMM for a total subscription of RM150.0 million		
2.	Review of Statement on Risk Management and Internal Control	8,000	8,000
	Total	183,000	183,000

3. MATERIAL CONTRACTS INVOLVING DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS

There were no material contracts (not being contracts entered into in the ordinary course of business) entered into by the Company and / or its subsidiaries involving directors' and major shareholders' interests during the financial year ended 30 April 2020.

4. REVALUATION POLICY ON LANDED PROPERTIES

The Company does not have a revaluation policy on landed properties.

5. RECURRENT RELATED PARTY TRANSACTIONS

There were no material recurrent related party transactions of a revenue nature entered into during the financial year ended 30 April 2020.

FINANCIAL STATEMENTS

DIRECTORS' REPORT

The Directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 30 April 2020.

PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding, whilst the principal activities of the subsidiaries are as stated in Note 5 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

SUBSIDIARIES

The details of the Company's subsidiaries are disclosed in Note 5 to the financial statements.

RESULTS

	Group RM'000	Company RM'000
Loss for the year attributable to:		
Owners of the Company	49,632	75,388
Non-controlling interests	16,732	-
	66,364	75,388

RESERVES AND PROVISIONS

There were no material transfers to or from reserves and provisions during the financial year under review except as disclosed in the financial statements.

DIVIDEND

There was no dividend proposed, declared or paid by the Company since the end of the previous financial year and Directors do not recommend any dividend to be paid for the year under review.

DIRECTORS OF THE COMPANY

Directors who served during the financial year until the date of this report are:

Dato' Mohd Azlan Hashim
Tan Sri Datuk Seri Razman M Hashim
Dato' Harun bin Md Idris
Tai Keat Chai
Nik Abdul Malik bin Nik Mohd Amin
Shariffuddin bin Khalid
Datin Shelina binti Razaly Wahi (Appointed on 1 August 2019)
Dato' Haji Razali bin Mohd Yusof (Resigned on 17 August 2020)

DIRECTORS' REPORT

DIRECTORS OF THE COMPANY (CONT'D)

The Directors who held office in the subsidiaries of the Company as disclosed in Note 5 during the financial year and up to the date of this report are:

Subsidiaries	AQL	Jasa Merin	JMG1	JMG2	JMG3	JMG4	MGMLH	JML	MGSM	MGTSB	MGT(L)	MGM(L)	TKH	JMEV	MGS8
Dato' Harun bin Md Idris							✓								
Shariffuddin bin Khalid							✓	✓	✓	✓					
Haji Abdul Rahman bin Ali	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mohd Noor Ismardi bin Idris	✓		✓	✓	✓	✓		✓	✓	✓	✓	✓	✓		✓
Dato' Haji Wan Zakaria bin Haji Abd Rahman		✓ (i)													
Dato' Haji Mohtar bin Nong		✓													
Dato' Haji Adzlan bin Mohd Dagang		✓													
Dato' Haji Osman bin Muda		✓													
Haji Ahmad Amzad bin Mohamed @ Hashim		✓													
Safian bin Mohd Yunus														✓	
Teng Keng Han													✓ (ii)		

(i) Ceased on 6 September 2019
(ii) Resigned on 30 July 2020

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN SHARES

The interests and deemed interests in the ordinary shares of the Company and of its related corporations (other than wholly-owned subsidiaries) of those who were Directors at financial year end as recorded in the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares			
	At 1.5.2019	Acquired	Sold	At 30.4.2020
Direct interest				
Dato' Mohd Azlan Hashim	19,662,467	-	-	19,662,467
Dato' Haji Razali bin Mohd Yusof	2,000,000	-	-	2,000,000
Nik Abdul Malik bin Nik Mohd Amin	2,400,000	-	-	2,400,000
Deemed interest				
Dato' Mohd Azlan Hashim	150,791,759	-	-	150,791,759
Dato' Haji Razali bin Mohd Yusof	30,000,000	-	-	30,000,000
Tai Keat Chai	1,000,000	-	-	1,000,000

By virtue of their interest in the shares of the Company, they are also deemed interested in the shares of the subsidiaries during the financial year to the extent that Marine & General Berhad has an interest.

None of the other Directors holding office at 30 April 2020 had any interest in the ordinary shares of the Company and of its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of remuneration received or due and receivable by Directors as shown in the financial statements or the fixed salary of a full time employee of the Company or of related corporations) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

ISSUE OF SHARES AND DEBENTURES

There were no changes in the authorised, issued and paid-up capital of the Company during the financial year.

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued shares of the Company during the financial year.

DIRECTORS' REPORT

INDEMNITY AND INSURANCE COSTS

During the financial year, the Company maintained a Directors' and Officers' Liability Insurance for the purpose of Section 289 of the Companies Act 2016. The total insured limit for the Directors and Officers Liability Insurance effected for each of the Directors and Officers of the Company was RM50 million per occurrence and in the aggregate.

OTHER STATUTORY INFORMATION

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

i) all known bad debts have been written off and adequate provision made for doubtful debts, and

ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

i) that would render the amount written off for bad debts or the amount of the provision for doubtful debts in the Group and in the Company inadequate to any substantial extent, or

ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, or

iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or

iv) not otherwise dealt with in this report or the financial statements that would render any amount stated in the financial statements of the Group and of the Company misleading.

At the date of this report, there does not exist:

i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or

ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of any company in the Group has become enforceable, or is likely to become enforceable within the year of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors, except for impairment loss on investment in subsidiaries and amount due from subsidiaries for the Company as disclosed in Note 16 to the financial statements as well as implication of COVID-19 to the Group and Company's business as disclosed in Note 29.5 to the financial statements, the financial performance of the Group and of the Company for the financial year ended 30 April 2020 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

DIRECTORS' REPORT

SUBSEQUENT EVENTS

The subsequent events are disclosed in Note 29 to the financial statements.

AUDITORS

The auditors, KPMG PLT, have indicated their willingness to accept re-appointment.

The auditors' remuneration is disclosed in Note 17 to the financial statements.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

....
Dato' Mohd Azlan Hashim
Director

....
Tan Sri Datuk Seri Razman M Hashim
Director

Kuala Lumpur,

Date: 27 August 2020

STATEMENTS OF FINANCIAL POSITION
AS AT 30 APRIL 2020

	Note	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Assets					
Property, vessels and equipment	3	829,139	852,024	641	818
Right-of-use assets	4	4,135	-	993	-
Investments in subsidiaries	5	-	-	122,169	140,429
Total non-current assets		833,274	852,024	123,803	141,247
Inventories	6	7,043	6,890	-	-
Other investments	7	38,683	114,323	38,683	114,323
Trade and other receivables	8	40,474	36,206	20,796	616
Tax recoverable		1,442	3,914	1,407	3,853
Cash and cash equivalents	9	38,662	25,397	4,210	3,260
Total current assets		126,304	186,730	65,096	122,052
Total assets		959,578	1,038,754	188,899	263,299
Equity					
Share capital	10	270,003	270,003	270,003	270,003
Reverse acquisition deficit	10	(92,791)	(92,791)	-	-
Capital reserve	10	-	-	36,297	36,297
Foreign currency translation reserve		(2,174)	(2,223)	-	-
Accumulated losses		(133,219)	(83,587)	(121,880)	(46,492)
Equity attributable to owners of the Company		41,819	91,402	184,420	259,808
Non-controlling interests		(117,077)	(100,295)	-	-
Total equity		(75,258)	(8,893)	184,420	259,808
Liabilities					
Loans and borrowings	11	16,994	50,702	-	-
Lease liabilities		3,085	-	794	-
Deferred tax liabilities	12	253	-	-	-
Total non-current liabilities		20,332	50,702	794	-
Loans and borrowings	11	943,476	945,426	-	-
Lease liabilities		1,004	-	239	-
Trade and other payables	13	69,748	51,316	3,446	3,491
Taxation		276	203	-	-
Total current liabilities		1,014,504	996,945	3,685	3,491
Total liabilities		1,034,836	1,047,647	4,479	3,491
Total equity and liabilities		959,578	1,038,754	188,899	263,299

The notes on pages 67 to 135 are an integral part of these financial statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 30 APRIL 2020

	Note	Group 1.5.2019 to 30.4.2020 RM'000	Group 1.1.2018 to 30.4.2019 RM'000	Company 1.5.2019 to 30.4.2020 RM'000	Company 1.1.2018 to 30.4.2019 RM'000
Revenue	14	213,598	232,753	164	1,854
Direct costs		(211,343)	(224,364)	-	-
Gross profit		2,255	8,389	164	1,854
Other income		3,243	4,309	-	2
Administrative expenses		(22,835)	(24,587)	(5,315)	(6,490)
Other expenses		(681)	(17,904)	(18,547)	(531)
Net gain/(loss) on impairment of financial instruments		298	224	(53,907)	(13,433)
Results from operating activities		(17,720)	(29,569)	(77,605)	(18,598)
Finance income	15	3,051	8,411	2,645	9,148
Finance costs	16	(50,856)	(86,984)	(59)	-
Net finance (costs)/income		(47,805)	(78,573)	2,586	9,148
Loss before tax	17	(65,525)	(108,142)	(75,019)	(9,450)
Tax (expense)/credit	18	(839)	2,414	(369)	2,623
Loss for the year/period		(66,364)	(105,728)	(75,388)	(6,827)
Other comprehensive expenses, net of tax					
Items that are or may be reclassified subsequently to profit or loss					
Foreign currency translation differences for foreign operations		(1)	(2,223)	-	-
Other comprehensive expenses for the year/period, net of tax	20	(1)	(2,223)	-	-
Total comprehensive expenses for the year/period		(66,365)	(107,951)	(75,388)	(6,827)

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 30 APRIL 2020 (CONT'D)

	Note	Group		Company	
		1.5.2019 to 30.4.2020 RM'000	1.1.2018 to 30.4.2019 RM'000	1.5.2019 to 30.4.2020 RM'000	1.1.2018 to 30.4.2019 RM'000
Loss attributable to:					
Owners of the company		(49,632)	(71,477)	(75,388)	(6,827)
Non-controlling interests		(16,732)	(34,251)	-	-
Loss for the year/period		(66,364)	(105,728)	(75,388)	(6,827)
Total comprehensive expenses attributable to:					
Owners of the company		(49,583)	(73,700)	(75,388)	(6,827)
Non-controlling interests		(16,782)	(34,251)	-	-
Total comprehensive expenses for the year/period		(66,365)	(107,951)	(75,388)	(6,827)
Basic loss per ordinary share (sen)					
Basic	21	(6.86)	(9.87)		

The notes on pages 67 to 135 are an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 APRIL 2020

		Attributable to equity holders of the Group						
		Non-distributable			Distributable			
Group	Note	Share capital RM'000	Reverse acquisition deficit RM'000	Translation reserve RM'000	Accumulated loss RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
At 1 January 2018		270,003	(92,791)	-	(12,110)	165,102	(68,979)	96,123
Loss for the period		-	-	-	(71,477)	(71,477)	(34,251)	(105,728)
Foreign currency translation differences for foreign operations		-	-	(2,223)	-	(2,223)	-	(2,223)
Total comprehensive expenses for the period		-	-	(2,223)	(71,477)	(73,700)	(34,251)	(107,951)
Acquisition of a subsidiary	19.1	-	-	-	-	-	2,935	2,935
At 30 April 2019/1 May 2019		270,003	(92,791)	(2,223)	(83,587)	91,402	(100,295)	(8,893)
Loss for the year		-	-	-	(49,632)	(49,632)	(16,732)	(66,364)
Foreign currency translation differences for foreign operations		-	-	49	-	49	(50)	(1)
Total comprehensive expenses for the year		-	-	49	(49,632)	(49,583)	(16,782)	(66,365)
At 30 April 2020		270,003	(92,791)	(2,174)	(133,219)	41,819	(117,077)	(75,258)
		Note 10	Note 10	Note 10				

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 APRIL 2020 (CONT'D)

	Attributable to equity holders of the Company			
	Non-distributable		Distributable	
	Share capital	Capital reserve	Accumulated losses	Total equity
Company	**RM'000**	**RM'000**	**RM'000**	**RM'000**
At 1 January 2018	270,003	36,297	(39,665)	266,635
Total comprehensive expenses for the period	-	-	(6,827)	(6,827)
At 30 April 2019/1 May 2019	270,003	36,297	(46,492)	259,808
Total comprehensive expenses for the year	-	-	(75,388)	(75,388)
At 30 April 2020	270,003	36,297	(121,880)	184,420
	Note 10	Note 10		

The notes on pages 67 to 135 are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 APRIL 2020

	Note	Group 1.5.2019 to 30.4.2020 RM'000	Group 1.1.2018 to 30.4.2019 RM'000	Company 1.5.2019 to 30.4.2020 RM'000	Company 1.1.2018 to 30.4.2019 RM'000
Cash flows from operating activities					
Collection of revenue		214,273	225,350	-	-
Collection of other income		800	1,505	2,638	8,306
Cash generated from operations		215,073	226,855	2,638	8,306
Payment of expenses		(142,628)	(133,956)	(6,108)	(7,146)
Net tax (paid)/refund		1,959	(1,767)	2,077	(1,762)
Net cash generated from/ (used in) operating activities		74,404	91,132	(1,393)	(602)
Cash flows from investing activities					
Proceeds from sale of property, vessels and equipment		-	155	-	155
Acquisition of subsidiary, net of cash and cash equivalents acquired	19	-	(6,425)	-	-
Purchase of property, vessels and equipment		(49,538)	(107,501)	(7)	(46)
Investment in subsidiaries		-	-	-	(18,000)
Advances to subsidiaries		-	-	(73,167)	(99,757)
Disposal of other investments		75,640	121,453	75,640	121,453
(Increase)/Decrease in pledged deposits		(253)	285	-	-
Net cash generated from investing activities		25,849	7,967	2,466	3,805
Cash flows from financing activities					
Drawdown of borrowings		-	150	-	-
Repayment of borrowings		(35,508)	(29,490)	-	-
Payment of finance costs		(50,856)	(49,397)	-	-
Repayment of lease liabilities		(877)	-	(123)	-
Net cash used in financing activities		(87,241)	(78,737)	(123)	-
Net increase in cash and cash equivalents		13,012	20,362	950	3,203
Cash and cash equivalents at beginning of year/period		23,964	3,602	3,260	57
Cash and cash equivalents at end of year/period	(i)	36,976	23,964	4,210	3,260

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 APRIL 2020 (CONT'D)

(i) *Cash and cash equivalents*

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

	Note	Group 1.5.2019 to 30.4.2020 RM'000	Group 1.1.2018 to 30.4.2019 RM'000	Company 1.5.2019 to 30.4.2020 RM'000	Company 1.1.2018 to 30.4.2019 RM'000
Cash and cash equivalents		30,905	18,437	1,138	250
Deposits placed with licensed banks		7,757	6,960	3,072	3,010
	9	38,662	25,397	4,210	3,260
Less: Pledged deposits		(1,686)	(1,433)	-	-
		36,976	23,964	4,210	3,260

(ii) *Cash outflows for leases as a lessee*

	Note	Group 1.5.2019 to 30.4.2020 RM'000	Group 1.1.2018 to 30.4.2019 RM'000	Company 1.5.2019 to 30.4.2020 RM'000	Company 1.1.2018 to 30.4.2019 RM'000
Included in net cash from operating activities:					
Payment relating to short-term leases	17	14,799	-	-	-
Payment relating to leases of low-value assets	17	149	-	5	-
Interest paid in relation to lease liabilities		249	-	59	-
Included in net cash from financing activities:					
Payment of lease liabilities		877	-	123	-
Total cash outflows for lease		16,074	-	187	-

(iii) *Acquisition of property, vessels and equipment*

	Group 1.5.2019 to 30.4.2020 RM'000	Group 1.1.2018 to 30.4.2019 RM'000	Company 1.5.2019 to 30.4.2020 RM'000	Company 1.1.2018 to 30.4.2019 RM'000
Paid in cash	49,538	107,501	7	46
Balances remained unpaid at year/period end	9,475	9,636	-	-
	59,013	117,137	7	46

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 APRIL 2020 (CONT'D)

(iv) Reconciliation of movement of liabilities to cash flow arising from financing activities

Group

	At 1.1.2018 RM'000	Net changes from financing cash flows RM'000	Finance cost RM'000	At 30.4.2019 RM'000	Adjustment on initial application of MFRS 16 RM'000	At 1.5.2019 RM'000	Net changes from financing cash flows RM'000	Finance cost RM'000	At 30.4.2020 RM'000
Finance lease liability	108	42	-	150	(150)	-	-	-	-
Lease liabilities	-	-	-	-	4,966	4,966	(1,126)	249	4,089
Secured term loans	933,942	(62,506)	78,521	949,957	-	949,957	(55,552)	50,494	944,899
Revolving credit	48,000	(11,587)	3,587	40,000	-	40,000	(24,542)	113	15,571
Bank overdraft	9,576	(4,686)	1,131	6,021	-	6,021	(6,021)	-	-
Total liabilities from financing activities	991,626	(78,737)	83,239	996,128	4,816	1,000,944	(87,241)	50,856	964,559

Company

	At 1.1.2018 RM'000	Net changes from financing cash flows RM'000	Finance cost RM'000	At 30.4.2019 RM'000	Adjustment on initial application of MFRS 16 RM'000	At 1.5.2019 RM'000	Net changes from financing cash flows RM'000	Finance cost RM'000	At 30.4.2020 RM'000
Lease liability	-	-	-	-	1,156	1,156	(182)	59	1,033

The notes on pages 67 to 135 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

Marine & General Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The addresses of the principal place of business and registered office of the Company are as follows:

Principal place of business
Level 23, Plaza VADS
No.1, Jalan Tun Mohd Fuad
Taman Tun Dr Ismail
60000 Kuala Lumpur

Registered office
Level 22, Axiata Tower
No.9, Jalan Stesen Sentral 5
Kuala Lumpur Sentral
50470 Kuala Lumpur

The consolidated financial statements of the Company as at and for the financial year ended 30 April 2020 comprise those of the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities"). The financial statements of the Company as at and for the year ended 30 April 2020 do not include other entities.

The Company is principally engaged in investment holding, whilst the principal activities of the subsidiaries are as stated in Note 5 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

These financial statements were authorised for issue by the Board of Directors on 27 August 2020.

1. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

The following are accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board but have not been adopted by the Group and the Company.

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2020

- Amendments to MFRS 3, *Business Combinations – Definition of a Business*
- Amendments to MFRS 101, *Presentation of Financial Statements* and MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material*
- Amendments to MFRS 9, *Financial Instruments*, MFRS 139, *Financial Instruments: Recognition and Measurement* and MFRS 7, *Financial Instruments: Disclosures – Interest Rate Benchmark Reform*

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 June 2020

- Amendment to MFRS 16, *Leases – Covid-19 - Related Rent Concessions*

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PREPARATION (CONT'D)

(a) Statement of compliance (cont'd)

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2022

- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2018−2020)*
- Amendments to MFRS 3, *Business Combinations – Reference to the Conceptual Framework*
- Amendments to MFRS 9, *Financial Instruments (Annual Improvements to MFRS Standards 2018−2020)*
- Amendments to Illustrative Examples accompanying MFRS 16, *Leases (Annual Improvements to MFRS Standards 2018−2020)*
- Amendments to MFRS 116, *Property, Plant and Equipment − Proceeds before Intended Use*
- Amendments to MFRS 137, *Provisions, Contingent Liabilities and Contingent Assets − Onerous Contracts − Cost of Fulfilling a Contract*
- Amendments to MFRS 141, *Agriculture (Annual Improvements to MFRS Standards 2018−2020)*

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2023

- MFRS 17, *Insurance Contracts*
- Amendments to MFRS 101, *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current*

MFRSs, interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed

- 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*

The Group and the Company plans to apply the abovementioned accounting standards, interpretations and amendments:

- from the annual period beginning on 1 May 2020 for those amendments that are effective for annual periods beginning on or after 1 January 2020.

- from the annual period beginning on 1 May 2021 for the amendment that is effective for annual periods beginning on or after 1 June 2020.

- from the annual period beginning on 1 May 2022 for those amendments that are effective for annual periods beginning on or after 1 January 2022, except for amendments to MFRS 1 and MFRS 141 which are not applicable to the Group and the Company.

- from the annual period beginning on 1 May 2023 for the accounting standard and amendments that are effective for annual period beginning on or after 1 January 2023, except for MFRS 17 which is not applicable to the Group and the Company.

The initial application of the abovementioned accounting standards and amendments is not expected to have any material financial impact to the current period and prior period financial statements of the Group and of the Company.

1. BASIS OF PREPARATION (CONT'D)

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis other than as disclosed in Note 2 to the financial statements, and on the assumption that the Group and the Company will continue on a going concern basis.

The Group incurred net losses of approximately RM66.4 million for the year ended 30 April 2020 and as of that date, the Group's current liabilities exceeded its current assets by RM888 million.

On 6 February 2018, Jasa Merin (Malaysia) Sdn. Bhd. ("Jasa Merin"), a subsidiary held through AQL Aman Sdn. Bhd. ("AQL"), received approval from the Corporate Debt Restructuring Committee ("CDRC") of Bank Negara Malaysia for Jasa Merin's application for assistance to mediate between Jasa Merin and its subsidiaries with their lenders ("Lenders").

The Group had proposed a debt restructuring scheme ("PDRS") to the respective Lenders which includes:

(i) a 12-month moratorium on repayment of borrowings to the respective Lenders, commencing from the first drawdown date of the PDRS ("Moratorium");

(ii) a RM50 million upfront proportionate cash payment to the Lenders ("Upfront Payment");

(iii) partial settlement of the outstanding debts amounting to RM150 million via the issuance of irredeemable preference shares of RM1.00 each by Jasa Merin to the Lenders ("JMM PS"). The JMM PS in turn, may be presented and surrendered to the Company in exchange for new ordinary shares of the Company based on an exchange ratio of one (1) JMM PS for ten (10) new ordinary shares of the Company ("Share Exchange"); and

(iv) granting to Jasa Merin and its subsidiaries, namely JM Global 3 (Labuan) Plc and JM Global 4 (Labuan) Plc, additional time to settle the balance of RM728.3 million by way of term financings.

On 7 May 2019, Jasa Merin had accepted the letter of offer from the Lenders on the PDRS.

The Share Exchange was approved by the shareholders of the Company at an extraordinary general meeting held on 31 December 2019. Subsequently, Jasa Merin paid the Upfront Payment in January 2020, and completed all the Facility and Security agreements on 5 May 2020.

The PDRS was completed on 13 August 2020 following the issuance of RM150 million JMM PS to extinguish RM150 million of the existing debts to the Lenders and the drawdown of the remaining term financings on that date.

Pursuant to the terms of the Facility agreements, the repayment periods of RM728 million term financings were extended for a period of up to 10 years. Additionally, given the Moratorium, none of the term financings are due for repayment in the remaining period of the financial year ending 30 April 2021, other than servicing the restructured financings cost (financing interest and profit payments).

Following the completion of Jasa Merin's PDRS, the validity of the going concern assumption of the Group is dependent on the Group's ability to generate adequate cash flows in due course from its operations to service its obligation as and when they fall due in the foreseeable future and continued support from Lenders.

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PREPARATION (CONT'D)

(b) Basis of measurement (cont'd)

The Group has prepared cash flow projections for the next twelve months, based on past performance and the prevailing market conditions. Based on the cash flow projections and existing cash and cash equivalents and other liquid investments available as at 30 April 2020, the Directors are of the view that the Group will be able to:

(i) meet and complete the financial obligations of the PDRS; and

(ii) generate sufficient cash flows for the next twelve months from the reporting date to meet its operating and other financial obligations to realise its assets and discharge its liabilities in the normal course of business.

Consequently, the Directors believe that there is no material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern.

(c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency. All financial information is presented in RM and has been rounded to the nearest thousand, unless otherwise stated.

(d) Use of estimates and judgements

The preparation of the financial statements in conformity with MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimates are revised and in any future years affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those disclosed in the following notes:

(i) Note 3 : Property, vessels and equipment;
(ii) Note 4 : Extension options and incremental borrowing rate in relation to lease;
(iii) Note 5 : Investment in subsidiaries; and
(iv) Note 25 : Financial instruments

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to the years presented in these financial statements and have been applied consistently by Group entities, unless otherwise stated.

Arising from the adoption of MFRS 16, *Leases*, there are changes to the accounting policies applied to lease contracts entered into by the Group entities as compared to those applied in previous financial statements. The impacts arising from the changes are disclosed in Note 30.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements and have been applied consistently by Group entities from the date that control commences until the date that control ceases.

The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has *de facto* power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investments includes transaction costs.

(ii) Business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

(iii) Acquisitions of non-controlling interests

The Group accounts for all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of consolidation (cont'd)

(iv) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity accounted investee or as a financial asset depending on the level of influence retained.

(v) Non-controlling interests

Non-controlling interests at the end of the reporting year, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and owners of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(vi) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date, except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of equity instruments where they are measured at fair value through other comprehensive income or a financial instrument designated as a cash flow hedge, which are recognised in other comprehensive income.

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operations is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the foreign currency translation reserve ("FCTR") in equity.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Foreign currency (cont'd)

(ii) Operations denominated in functional currencies other than Ringgit Malaysia

The assets and liabilities of operations denominated in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at exchange rates at the end of the reporting period. The income and expenses of foreign operations are translated to RM at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and accumulated in the FCTR in equity. However, if the operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the FCTR related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

(c) Financial instruments

(i) Recognition and initial measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without significant financing component) or a financial liability is initially measured at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Financial instrument categories and subsequent measurement

Financial assets

Categories of financial assets are determined on initial recognition and are not reclassified subsequent to their initial recognition unless the Group or the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting year following the change of the business model.

(a) Amortised cost

Amortised cost category comprises financial assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The financial assets are not designated as fair value through profit or loss. Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets (see Note 2(h)(i)) where the effective interest rate is applied to the amortised cost.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Financial instruments (cont'd)

(ii) Financial instrument categories and subsequent measurement (cont'd)

Financial assets (cont'd)

(b) Fair value through profit or loss

All financial assets not measured at amortised cost as described above are measured at fair value through profit or loss. This includes derivative financial assets (except for a derivative that is a designated and effective hedging instrument). On initial recognition, the Group or the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at fair value through other comprehensive income as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets categorised as fair value through profit or loss are subsequently measured at their fair value. Net gains or losses, including any interest or dividend income, are recognised in the profit or loss.

All financial assets, except for those measured at fair value through profit or loss and equity investments measured at fair value through other comprehensive income, are subject to impairment assessment (see Note 2(h)(i)).

Financial liabilities

The categories of financial liabilities at initial recognition are as follows:

Amortised cost

All financial liabilities not categoried as fair value through profit or loss are subsequently measured at amortised cost using the effective interest method.

Interest expense and foreign exchange gains and losses are recognised in the profit or loss. Any gains or losses on derecognition are also recognised in the profit or loss.

(iii) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantees issued are initially measured at fair value. Subsequently, they are measured at higher of:

- the amount of the loss allowance; and
- the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance to the principles of MFRS 15, *Revenue from Contracts with Customers*.

Liabilities arising from financial guarantees are presented together with other provisions.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Financial instruments (cont'd)

(iv) Derecognition

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or transferred, or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount of the financial asset and the sum of consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. A financial liability is also derecognised when its terms are modified and the cash flows of the modified liability are substantially different, in which case, a new financial liability based on modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(v) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group or the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and liability simultaneously.

(d) Property, vessels and equipment

(i) Recognition and measurement

Items of property, vessels and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs.

When significant parts of an item of property, vessels and equipment have different useful lives, they are accounted for as separate items (major components) of property, vessels and equipment.

The gain or loss on disposal of an item of property, vessels and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, vessels and equipment and is recognised net within "other income" and "other expenses" respectively in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Property, vessels and equipment (cont'd)

(ii) Subsequent costs

The cost of replacing a component of an item of property, vessels and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group or the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property, vessels and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, vessels and equipment from the date that they are available for use. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group and the Company will obtain ownership by the end of the lease term. Property, vessels and equipment under construction are not depreciated until the assets are ready for their intended use.

The estimated useful lives for the current and comparative years are as follows:

Buildings	50 years
Vessels	15 - 20 years
Vessels equipment	5 years
Dry docking expenditure	2.5 - 5 years
Motor vehicles	4 - 5 years
Boat	10 years
Renovation	10 years
Computer system, furniture, fittings and other equipment	1 2/3 - 5 years

Depreciation methods, useful lives and residual values are reviewed at the end of the reporting year and adjusted as appropriate.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Leases

The Group and the Company have applied MFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised as an adjustment to retained earnings at 1 May 2019. Accordingly, the comparative information presented for 2019 has not been restated – i.e. it is presented, as previously reported under MFRS 117, *Leases* and related interpretations.

Current financial year

(i) Definition of a lease

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group and the Company assess whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified.
- the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the customer has the right to direct the use of the asset. The customer has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purposes the asset is used is predetermined, the customer has the right to direct the use of the asset if either the customer has the right to operate the asset; or the customer designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Group and the Company allocate the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which the Group or the Company is a lessee, it has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

(ii) Recognition and initial measurement

(a) As a lessee

The Group and the Company recognise a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the respective Group entities' incremental borrowing rate. Generally, the Group entities use their incremental borrowing rate as the discount rate.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Leases (cont'd)

Current financial year (cont'd)

(ii) Recognition and initial measurement (cont'd)

(a) As a lessee (cont'd)

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments less any incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Group and the Company are reasonably certain to exercise; and
- penalties for early termination of a lease unless the Group and the Company are reasonably certain not to terminate early.

The Group and the Company exclude variable lease payments that linked to future performance or usage of the underlying asset from the lease liability. Instead, these payments are recognised in profit or loss in the period in which the performance or use occurs.

The Group and the Company have elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group and the Company recognise the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(b) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease.

If an arrangement contains lease and non-lease components, the Group applies MFRS 15 to allocate the consideration in the contract based on the stand-alone selling prices.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sublease separately. It assesses the lease classification of a sublease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sublease as an operating lease.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Leases (cont'd)

Current financial year (cont'd)

(iii) Subsequent measurement

(a) As a lessee

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those property, vessels and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is measured at amortised cost using effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate. If there is a revision of in-substance fixed lease payments, or if there is a change in the Group's and the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Group and the Company change its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(b) As a lessor

The Group recognises lease payments received under operating lease as income on a straight-line basis over the lease term as part of "revenue".

Previous financial year

(i) Finance leases

Leases in terms of which the Group or the Company assumed substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each year during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Leases (cont'd)

Previous financial year (cont'd)

(ii) Operating leases

Leases, where the Group or the Company did not assume substantially all the risks and rewards of ownership are classified as operating leases and the leased assets are not recognised on the statement of financial position.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting year in which they are incurred.

(f) Inventories

Inventories are measured at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and condition is determined using the first-in, first-out method. The cost comprises all direct and indirect costs.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(g) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three months or less and are used by the Group and the Company in the management of their short term commitments. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of pledged deposits.

(h) Impairment

(i) Financial assets

The Group and the Company recognise loss allowances for expected credit losses on financial assets measured at amortised cost, debt investments measured at fair value through other comprehensive income, contract assets and lease receivables. Expected credit losses are a probability-weighted estimate of credit losses.

The Group and the Company measure loss allowances at an amount equal to lifetime expected credit loss, except for cash and cash equivalents for which credit risk has not increased significantly since initial recognition, which are measured at 12-month expected credit loss. Loss allowances for trade receivables are always measured at an amount equal to lifetime expected credit loss.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Group and the Company consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group and the Company's historical experience and informed credit assessment and including forward-looking information, where available.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Impairment (cont'd)

(i) Financial assets (cont'd)

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of the asset, while 12-month expected credit losses are the portion of expected credit losses that result from default events that are possible within the 12 months after the reporting date. The maximum year considered when estimating expected credit losses is the maximum contractual year over which the Group and the Company are exposed to credit risk.

The Group and the Company estimate the expected credit losses on trade receivables using a provision matrix reference to historical credit loss experience.

An impairment loss in respect of financial assets measured at amortised cost is recognised in profit or loss and the carrying amount of the asset is reduced through the use of an allowance account.

At each reporting date, the Group and the Company assess whether financial assets carried at amortised cost are credit impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The gross carrying amount of a financial asset is written off (either partially or full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group or the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's or the Company's procedures for the recovery of amounts due.

(ii) Other assets

The carrying amounts of other assets (except for inventories, deferred tax assets and non-current assets (or disposal groups) classified as held for sale) are reviewed at the end of each reporting year to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units. Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes.

The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to group of cash-generating units that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Impairment (cont'd)

(ii) Other assets (cont'd)

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (groups of cash-generating units) on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior years are assessed at the end of each reporting year for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

(i) Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

(i) Ordinary shares

Ordinary shares are classified as equity.

(ii) Repurchase, disposal and reissue of share capital (treasury shares)

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares that are not subsequently cancelled are classified as treasury shares in the statement of changes in equity.

Where treasury shares are sold or reissued subsequently, the difference between the sales consideration net of directly attributable costs and the carrying amount of the treasury shares is recognised in equity.

(j) Employee benefits

(i) Short-term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(j) Employee benefits (cont'd)

(i) Short-term employee benefits (cont'd)

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group or the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) State plans

Contributions to the statutory pension funds are charged to the profit or loss in the year to which they relate. Once the contributions have been paid, the Group or the Company has no further payment obligations.

(k) Revenue and other income

(i) Revenue

Revenue is measured based on the consideration specified in a contract with a customer in exchange for transferring goods or services to a customer, excluding amounts collected on behalf of third parties. The Group or the Company recognises revenue when (or as) it transfers control over a product or service to customer. An asset is transferred when (or as) the customer obtains control of the asset.

The Group or the Company transfers control of a good or service at a point in time unless one of the following overtime criteria is met:

(a) the customer simultaneously receives and consumes the benefits provided as the Group or the Company performs;

(b) the Group's or the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

(c) the Group's or the Company's performance does not create an asset with an alternative use and the Group or the Company has an enforceable right to payment for performance completed to date.

(ii) Vessel charter

Revenue from vessel charter is recognised on a time-apportionment basis using the straight-line method.

(iii) Interest income

Interest income is recognised on an accrual basis using the effective interest method.

(iv) Dividend income

Dividend income is recognised when the right to receive payment is established.

(v) Management fee

Management fee is recognised when services are rendered.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(k) Revenue and other income (cont'd)

(vi) Guarantee fee

Guarantee fee is recognised on a time-apportionment basis.

(l) Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial year of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

(m) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting year, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting year and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(n) Earnings per ordinary share

The Group presents basic earnings per share data for its ordinary shares ("EPS").

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year, adjusted for own shares held.

(o) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

(p) Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the statement of financial position and is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(q) Fair value measurement

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Group and the Company use observable market data as far as possible. Fair value is categorised into different levels in a fair value hierarchy based on the input used in the valuation techniques as follows:

Level 1: quoted price (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3: unobservable inputs for the asset or liability.

The Group and the Company recognise transfers between levels of the fair value hierarchy as of the date of event or change in circumstances that caused the transfers.

NOTES TO THE FINANCIAL STATEMENTS

3. PROPERTY, VESSELS AND EQUIPMENT

Group	Buildings RM'000	Vessels (Subject to operating lease) RM'000	Vessel under construction and initial repairs RM'000	Vessels equipment (Subject to operating lease) RM'000	Dry docking expenditure (Subject to operating lease) RM'000	Work-in-progress RM'000	Motor vehicles and boat RM'000	Renovations RM'000	Computer system, furniture, fittings and other equipment RM'000	Total RM'000
Cost										
At 1 January 2018	940	1,702,855	-	4,505	57,812	953	3,616	1,357	2,550	1,774,588
Additions	-	21,435	62,766	-	12,910	4,127	313	-	143	101,694
Acquisition through business combinations (Note 19)	-	15,443	-	-	-	-	-	-	-	15,443
Disposal	-	-	-	-	-	-	(333)	-	-	(333)
Reclassification	-	-	-	-	953	(953)	-	-	-	-
Write off	-	-	-	-	-	-	-	-	(12)	(12)
At 30 April 2019, as previously reported	940	1,739,733	62,766	4,505	71,675	4,127	3,596	1,357	2,681	1,891,380
Adjustment on initial application of MFRS 16	-	-	-	-	-	-	(313)	-	-	(313)
At 1 May 2019, as restated	940	1,739,733	62,766	4,505	71,675	4,127	3,283	1,357	2,681	1,891,067
Additions	-	-	22,333	-	13,300	23,306	-	-	74	59,013
Reclassification	-	32,661	(32,661)	-	22,582	(22,582)	-	-	-	-
At 30 April 2020	940	1,772,394	52,438	4,505	107,557	4,851	3,283	1,357	2,755	1,950,080

NOTES TO THE FINANCIAL STATEMENTS

3. PROPERTY, VESSELS AND EQUIPMENT (CONT'D)

Group	Buildings RM'000	Vessels (Subject to operating lease) RM'000	Vessel under construction and initial repairs RM'000	Vessels equipment (Subject to operating lease) RM'000	Dry docking expenditure (Subject to operating lease) RM'000	Work-in-progress RM'000	Motor vehicles and boat RM'000	Renovations RM'000	Computer system, furniture, fittings and other equipment RM'000	Total RM'000
Accumulated depreciation and impairment loss										
At 1 January 2018										
Accumulated depreciation	284	567,851	-	4,505	42,414	-	2,729	923	2,482	621,188
Accumulated impairment loss	-	289,481	-	-	7,183	-	-	-	-	296,664
	284	857,332	-	4,505	49,597	-	2,729	923	2,482	917,852
Charge for the period	25	98,357	-	-	5,059	-	293	85	85	103,904
Impairment loss	-	17,770	-	-	-	-	-	-	-	17,770
Disposal	-	-	-	-	-	-	(165)	-	-	(165)
Write off	-	-	-	-	-	-	-	-	(5)	(5)
At 30 April 2019, as previously reported										
Accumulated depreciation	309	666,208	-	4,505	47,473	-	2,857	1,008	2,562	724,922
Accumulated impairment loss	-	307,251	-	-	7,183	-	-	-	-	314,434
	309	973,459	-	4,505	54,656	-	2,857	1,008	2,562	1,039,356
Adjustment on initial application of MFRS 16	-	-	-	-	-	-	(10)	-	-	(10)
At 1 May 2019, as restated	309	973,459	-	4,505	54,656	-	2,847	1,008	2,562	1,039,346
Charge for the year	19	72,533	-	-	8,779	-	103	78	82	81,594
At 30 April 2020										
Accumulated depreciation	328	738,742	-	4,505	56,252	-	2,950	1,086	2,644	806,507
Accumulated impairment loss	-	307,251	-	-	7,183	-	-	-	-	314,434
	328	1,045,993	-	4,505	63,435	-	2,950	1,086	2,644	1,120,941

NOTES TO THE FINANCIAL STATEMENTS

3. PROPERTY, VESSELS AND EQUIPMENT (CONT'D)

Group	Buildings RM'000	Vessels (Subject to operating lease) RM'000	Vessel under construction and initial repairs RM'000	Vessels equipment (Subject to operating lease) RM'000	Dry docking expenditure (Subject to operating lease) RM'000	Work-in-progress RM'000	Motor vehicles and boat RM'000	Renovations RM'000	Computer system, furniture, fittings and other equipment RM'000	Total RM'000
Carrying amounts										
At 1 January 2018	656	845,523	-	-	8,215	953	887	434	68	856,736
At 30 April 2019/1 May 2019	631	766,274	62,766	-	17,019	4,127	739	349	119	852,024
At 30 April 2020	612	726,401	52,438	-	44,122	4,851	333	271	111	829,139

3. PROPERTY, VESSELS AND EQUIPMENT (CONT'D)

Company	Motor vehicles RM'000	Computer system, furniture, fittings and other equipment RM'000	Renovations RM'000	Total RM'000
Cost				
At 1 January 2018	764	57	562	1,383
Additions	-	46	-	46
Disposals	(187)	-	-	(187)
At 30 April 2019/1 May 2019	577	103	562	1,242
Additions	-	7	-	7
At 30 April 2020	577	110	562	1,249
Accumulated depreciation				
At 1 January 2018	137	6	19	162
Charge for the period	169	37	75	281
Disposals	(19)	-	-	(19)
At 30 April 2019/1 May 2019	287	43	94	424
Charge for the year	98	30	56	184
At 30 April 2020	385	73	150	608
Carrying amounts				
At 1 January 2018	627	51	543	1,221
At 30 April 2019/1 May 2019	290	60	468	818
At 30 April 2020	192	37	412	641

3.1 Impairment loss

In the previous financial period, further decline in offshore drilling activities affected the demand for offshore support vessels in the oil and gas industry that resulted in a further decrease in profitability of charter contracts for the Group's upstream vessels. Accordingly, the Group reviewed the recoverable amount of its upstream vessels culminating in the recognition of impairment loss of RM17,770,000 in the previous year.

The recoverable amount of the vessels of RM766,274,000 was determined based on fair value less cost of disposal, which was determined based on the market comparable approach that reflects recent transaction prices for similar vessels, with similar age and specifications. In valuing the vessels, the appraisers had taken into consideration the prevailing market conditions and have made adjustments for differences such as age, size and specification where necessary before arriving at the most appropriate fair value for the vessels. The fair value measurement of the vessels was performed by independent appraisers not connected with the Group, who have appropriate qualifications and recent experience in the fair value measurement of the vessels in the relevant sector.

NOTES TO THE FINANCIAL STATEMENTS

3. PROPERTY, VESSELS AND EQUIPMENT (CONT'D)

3.1 Impairment loss (cont'd)

Key assumptions applied by external valuer in measuring the fair value:

i. Valuation based on comparison to market value of the type of vessel fitted with the same fittings/ equipment of similar nature or as closed in similarity of which recently transacted around the region.

ii. Full equipment, full valid class/trading certificates and in operational condition.

iii. Free of charter commitment and to be freely transferable.

The fair value measurement is classified within Level 3 of the fair value hierarchy.

There is no impairment loss recognised in the current financial year.

3.2 Securities

Certain property, vessels and equipment of the Group are pledged as securities for borrowings as disclosed in Note 11.

3.3 Vessels subject to operating lease

The Group leases its vessels including vessels equipment and drydocking expenditure to third parties. The leases contain short and long-term contracts where the period ranges from 1 month to 3 years. Subsequent renewals are negotiated with the lessee.

The Group generally does not require a financial guarantee on the lease agreement.

4. RIGHT-OF-USE ASSETS

Group	Buildings RM'000	Vessel bandwidth equipment RM'000	Motor vehicles RM'000	Total RM'000
At 1 May 2019	2,827	1,986	303	5,116
Depreciation	(465)	(453)	(63)	(981)
At 30 April 2020	2,362	1,533	240	4,135

Company	Building RM'000
At 1 May 2019	1,156
Depreciation	(163)
At 30 April 2020	993

The Group and the Company lease a number of office building, vessel bandwidth equipment and motor vehicles under the operating leases. The leases typically run for a period of one to three years, with an option to renew the lease after that date. The lease payments are fixed as stipulated in the tenancy agreement during its tenancy period.

4. RIGHT-OF-USE ASSETS (CONT'D)

4.1 Extension options

Certain leases of buildings contain extension options exercisable by the Group and the Company up to 3 years before the end of the non-cancellable contract period. Where practicable, the Group and the Company seek to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and the Company and not by the lessors. The Group and the Company assess at lease commencement whether it is reasonably certain to exercise the extension options. The Group and the Company reassess whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control.

	Lease liabilities recognised (discounted) RM'000	Potential future lease payments not included in lease liabilities (discounted) RM'000
Group		
Buildings	2,456	-
Vessel bandwidth equipment	1,530	-
Motor vehicles	103	-
	4,089	-
Company		
Buildings	1,033	-

4.2 Significant judgements and assumptions in relation to leases

The Group and the Company assess at lease commencement by applying significant judgement whether it is reasonably certain to exercise the extension options. The Group and the Company consider all facts and circumstances including their past practice and any cost that will be incurred to change the asset if an option to extend is not taken, to help them determine the lease term.

The Group and the Company also applied judgement and assumptions in determining the incremental borrowing rate of the respective leases. The Group and the Company first determine the closest available borrowing rates before using significant judgement to determine the adjustments required to reflect the term, security, value or economic environment of the respective leases.

5. INVESTMENTS IN SUBSIDIARIES

		Company	
		2020	2019
	Note	RM'000	RM'000
At 1 May/1 January		115,177	142,814
Addition		-	20,345
Disposal		-	(47,982)
At 30 April		115,177	115,177
Amount due from subsidiaries	5.1	139,919	139,919
		255,096	255,096
Less: Accumulated impairment loss			
At 1 May/1 January		114,667	114,136
Impairment loss charged to profit or loss	16	18,260	531
At 30 April		132,927	114,667
Carrying amount		122,169	140,429

5.1 Amount due from subsidiaries

The amount due from subsidiaries are classified as cost of investment in subsidiaries. The amount due from subsidiaries do not have fixed repayment terms and after considering the capital structure of the subsidiaries, the management is of the view that, in substance, the amount due from subsidiaries provided an exposure similar to an investment in ordinary shares of the subsidiaries.

Impairment review of investment in subsidiaries

During the financial year ended 30 April 2020, a subsidiary of the Company (an immediate holding company of offshore support vessel services subsidiaries), recorded a net loss and as at that date, the subsidiary had a deficit in shareholder's fund.

Due to the presence of impairment indicator arising from operation of this subsidiary, the Company has undertaken an impairment assessment on investment in the subsidiary.

The recoverable amount of the impaired subsidiary of RM122,169,000 (2019: RM140,429,000) was the fair value less cost of disposal ("FVLCOD"), which was determined by reference to the net assets of the subsidiary. The Company used fair value of the vessels owned by indirect subsidiaries which were held through the impaired subsidiary to estimate the fair value of the cost of investment in the subsidiary.

The fair value of the vessels was determined based on valuation performed by an independent valuer using the market approach, including consideration of the recent market transaction of vessels of similar type and age. The fair value was based on key assumptions as disclosed in Note 3.1.

The valuation technique is therefore classified as Level 3 of the fair value hierarchy.

5. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Impairment review of investment in subsidiaries (cont'd)

Details of the subsidiaries are as follows:

Name of subsidiaries	Principal activities	Principal place of business/Country of incorporation	Effective ownership interest 2020 %	Effective ownership interest 2019 %
Held by the Company:				
AQL Aman Sdn. Bhd. ("AQL")	Investment holding	Malaysia	100	100
M&G Marine Logistics Holdings Sdn. Bhd. ("MGMLH")	Investment holding	Malaysia	100	100
Jasamerin Energy Ventures Sdn. Bhd. ("JMEV")	Dormant	Malaysia	51	51
Held through AQL:				
Jasa Merin (Malaysia) Sdn. Bhd. ("Jasa Merin")	Provision of offshore marine support services	Malaysia	70	70
Held through Jasa Merin:				
JM Global 1 (Labuan) Plc ("JMG1")	Provision of offshore marine support services	Malaysia	70	70
JM Global 2 (Labuan) Plc ("JMG2")	Provision of offshore marine support services	Malaysia	70	70
JM Global 3 (Labuan) Plc ("JMG3")	Provision of offshore marine support services	Malaysia	70	70
JM Global 4 (Labuan) Plc ("JMG4")	Provision of offshore marine support services	Malaysia	70	70
Held through MGMLH:				
Jasa Merin (Labuan) Plc ("JML")	Provision of marine logistics services	Malaysia	100	100
M&G Ship Management (L) Pte. Ltd. ("MGSM (L)")	Dormant	Malaysia	100	100

NOTES TO THE FINANCIAL STATEMENTS

5. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Impairment review of investment in subsidiaries (cont'd)

Details of the subsidiaries are as follows:

Name of subsidiaries	Principal activities	Principal place of business/Country of incorporation	Effective ownership interest 2020 %	Effective ownership interest 2019 %
Held through MGMLH: (cont'd)				
M&G Tankers Sdn. Bhd. ("MGTSB")	Investment holding and provision of marine logistics services	Malaysia	100	100
M&G Sutera 8 Sdn. Bhd. ("MGS8")	Provision of marine logistics services	Malaysia	100	-
Held through MGTSB:				
M&G Tankers (L) Pte. Ltd. ("MGT(L)")	Provision of marine logistics services	Malaysia	100	100
M&G Marine Logistics (L) Pte. Ltd. ("MGM(L)")	Provision of marine logistics services	Malaysia	100	100
TKH Marine (L) Ltd. ("TKH")	Provision of marine logistics services	Malaysia	70	70

Non-controlling interests in subsidiaries

The Group's subsidiaries that have non-controlling interests ("NCI") are as follows:

2020	NCI percentage of ownership interest %	Carrying amount of NCI RM'000	(Loss)/Profit allocated to NCI RM'000
Material NCI			
Name of subsidiary			
Jasa Merin (Malaysia) Sdn. Bhd. and subsidiaries ("Jasa Merin Group")	30	(120,932)	(17,072)
Immaterial NCI			
Name of subsidiary			
JMEV	49	165	(39)
TKH	30	3,690	329
		(117,077)	(16,782)

5. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Summarised financial information before intra-group elimination

	Jasa Merin Group RM'000	JMEV RM'000	TKH RM'000	Total RM'000
As at 30 April 2020				
Non-current assets	637,596	-	17,139	654,735
Current assets	68,123	352	5,544	74,019
Non-current liabilities	(223)	-	(394)	(617)
Current liabilities	(1,108,604)	(14)	(9,988)	(1,118,606)
Net (liabilities)/assets	(403,108)	338	12,301	(390,469)
Year ended 30 April 2020				
Revenue	161,567	-	6,214	167,781
Loss for the year	(56,907)	(79)	1,098	(55,721)
Cash flows from operating activities	117,139	(142)	7,419	124,416
Cash flows from investing activities	(23,192)	-	(4,222)	(27,414)
Cash flows from financing activities	(94,854)	-	(65)	(94,919)
Net (decrease)/increase in cash and cash equivalents	(908)	(142)	3,132	2,083
Dividends paid to NCI	-	-	-	-

Non-controlling interests in subsidiaries

The Group's subsidiaries that have non-controlling interests ("NCI") are as follows:

2019	NCI percentage of ownership interest %	Carrying amount of NCI RM'000	(Loss)/Profit allocated to NCI RM'000
Material NCI			
Name of subsidiary			
Jasa Merin (Malaysia) Sdn. Bhd. and subsidiaries ("Jasa Merin Group")	30	(103,860)	(34,628)
Immaterial NCI			
Name of subsidiary			
JMEV	49	204	(49)
TKH	30	3,361	426
		(100,295)	(34,251)

NOTES TO THE FINANCIAL STATEMENTS

5. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Summarised financial information before intra-group elimination

	Jasa Merin Group RM'000	JMEV RM'000	TKH RM'000	Total RM'000
As at 30 April 2019				
Non-current assets	685,359	-	14,290	699,649
Current assets	55,324	424	370	56,118
Non-current liabilities	(30,000)	-	-	(30,000)
Current liabilities	(1,056,883)	(6)	(3,457)	(1,060,346)
Net (liabilities)/assets	(346,200)	418	11,203	(334,579)
Year ended 30 April 2019				
Revenue	179,652	-	3,603	183,255
Loss for the period	(115,427)	(100)	1,421	(114,106)
Cash flows from operating activities	39,435	(142)	6,452	45,745
Cash flows from investing activities	6,956	-	(16,406)	(9,450)
Cash flows from financing activities	(101,043)	-	10,303	(90,740)
Net (decrease)/increase in cash and cash equivalents	(54,652)	(142)	349	(54,445)
Dividends paid to NCI	-	-	-	-

Significant restrictions

Other than those disclosed elsewhere in the financial statements, the carrying amounts of assets to which significant restrictions apply are as follows:

	Group 2020 RM'000	Group 2019 RM'000
Cash and cash equivalents	10	10

Restriction imposed by bank covenants

The covenants of bank loans taken by Jasa Merin, a subsidiary of the Company, restrict the ability of the subsidiary to utilise its cash and cash equivalents of RM10,000 (2019: RM10,000) until settlement of the term loans.

6. INVENTORIES

	Group	
	2020	2019
	RM'000	RM'000
Spare parts for vessels	1,157	1,068
Fuel	5,886	5,822
	7,043	6,890

7. OTHER INVESTMENTS

	Group and Company	
	2020	2019
	RM'000	RM'000
Financial assets at fair value through profit or loss	38,683	114,323

The financial assets at fair value through profit or loss represents investment in short term money market instruments.

8. TRADE AND OTHER RECEIVABLES

		Group		Company	
	Note	2020	2019	2020	2019
		RM'000	RM'000	RM'000	RM'000
Trade					
Charter hire income from national oil corporation		6,960	7,488	-	-
Charter hire income from multinational oil corporations		19,616	22,387	-	-
Other trade receivables		3,721	1,097	-	-
Less: Impairment loss		(3,309)	(3,607)	-	-
		26,988	27,365	-	-
Non-trade					
Amount due from subsidiaries	8.1	-	-	153,595	79,514
Less: Impairment loss		-	-	(132,935)	(79,028)
		-	-	20,660	486
Other receivables		310	93	-	-
Sundry receivables	8.2	7,790	4,011	-	-
Staff advances		134	179	-	-
Prepayments		2,412	2,866	13	17
Deposits		2,840	1,692	123	113
		13,486	8,841	20,796	616
		40,474	36,206	20,796	616

8. TRADE AND OTHER RECEIVABLES (CONT'D)

8.1 Amount due from subsidiaries

Amount due from subsidiaries represents advances, dividends, fees and interest receivable. The amount is unsecured and is repayable on demand.

8.2 Sundry receivables

Sundry receivables comprise mainly insurance receivables for repair and maintenance of vessels.

8.3 Lease receivables

The Group leases its vessels to third parties. The leases contain lease period ranging from one (1) month to three (3) years, with a fixed daily chartered rate. Subsequent renewals are negotiable with the leasee upon the expiry of its lease term.

The Group has classified these leases as operating leases because they do not transfer substantially all of the risks and rewards incidental to the ownership of the vessels.

The following table sets out a maturity analysis of lease receivables, showing the undiscounted lease payments to be received after the reporting date.

Group	2021 RM'000	2022 RM'000	Total RM'000
Leasing income	31,203	3,599	34,802

9. CASH AND CASH EQUIVALENTS

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Cash and cash equivalents	30,905	18,437	1,138	250
Deposits placed with licensed banks	7,757	6,960	3,072	3,010
	38,662	25,397	4,210	3,260

Deposits placed with licensed banks of the Group amounting to RM1,686,000 (2019: RM1,433,000) are pledged as securities for banking facilities granted to the Group.

10. SHARE CAPITAL, REVERSE ACQUISITION DEFICIT AND CAPITAL RESERVES

Group and Company	2020 Amount RM'000	2020 Number of shares '000	2019 Amount RM'000	2019 Number of shares '000
Issued and fully paid ordinary shares				
At 30 April	270,003	723,879	270,003	723,879

10.1 Share Capital

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company's residual assets.

10.2 Reverse acquisition deficit and capital reserve

Reverse acquisition deficit arose from the reverse acquisition of the Company by AQL.

The acquisition of AQL Aman Sdn. Bhd. ("AQL") was completed on 14 October 2009. Pursuant to Appendix B of MFRS 3 - Business Combinations, this acquisition was deemed a reverse acquisition arrangement. Due to the application of MFRS 3 rules relating to reverse acquisitions, AQL, the legal subsidiary, became the acquirer of the Group for accounting purposes. Accordingly, the consolidated financial statements have been prepared as a continuation of the financial statements of AQL, but under the name of the Company, the legal parent.

Capital reserve arose from capital reduction exercise in prior years.

11. LOANS AND BORROWINGS

	Note	Group 2020 RM'000	Group 2019 RM'000
Non-current			
Secured term loans	11.1	16,994	20,599
Hire purchase payables	11.2	-	103
Revolving credit	11.3	-	30,000
		16,994	50,702
Current			
Secured term loans	11.1	927,905	929,358
Hire purchase payables	11.2	-	47
Bank overdrafts		-	6,021
Revolving credit	11.3	15,571	10,000
		943,476	945,426
		960,470	996,128

11. LOANS AND BORROWINGS (CONT'D)

11.1 Secured term loans

The term loans of the Group are secured by the followings:

(a) debentures created over fixed and floating assets of subsidiaries;
(b) first legal/mortgage charge over the vessels;
(c) an irrevocable joint and several guarantee by a director and a third party of AQL;
(d) assignment of charter proceeds in respect of the vessels;
(e) assignment of all benefit, interest, rights and property over or in respect of the vessels under construction contracts;
(f) assignment of insurance policy for all vessels in favour of the banks; and
(g) corporate guarantees from the immediate and ultimate holding company of the subsidiaries.

11.2 Hire purchase payables

Hire purchase liabilities are payable as follows:

	2019		
	Future minimum lease payments RM'000	Interest RM'000	Present value of minimum lease payments RM'000
Less than one year	55	8	47
Between one and five years	109	6	103
	164	14	150

11.3 Revolving credit

The revolving credits of the Group are secured by the following:

(a) shares in subsidiaries held by Jasa Merin; and
(b) corporate guarantees of the Company.

11.4 Proposed Debt Restructuring Scheme

In the prior year, 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 repayment terms and financial covenants were not met as at 30 April 2019 is approximately RM957 million.

In the current year, as the PDRS has not been completed as at 30 April 2020, the Group maintained the classification of approximately RM735 million loans and borrowings as current liabilities. Total carrying amounts of loans and borrowings is approximately RM891 million.

As disclosed in Note 1(b), the Group has completed the PDRS with the respective lenders and the new term loans will be effective from 13 August 2020. The impact of the completed debt restructuring subsequent to the financial year end is disclosed in Note 29.3.

12. DEFERRED TAX LIABILITIES

Recognised deferred tax liabilities

Deferred tax liabilities are attributable to the following:

	Group	
	2020 RM'000	2019 RM'000
Vessels and equipment	(846)	-
Unabsorbed capital allowances	592	-
Lease liabilities	1	-
Tax liabilities	(253)	-

Movement in temporary differences during the financial year

	At 1.5.2019 RM'000	Recognised in profit or loss (Note 18) RM'000	At 30.4.2020 RM'000
Vessels and equipment	-	(846)	(846)
Unabsorbed capital allowances	-	592	592
Lease liabilities	-	1	1
	-	(253)	(253)

13. TRADE AND OTHER PAYABLES

	Note	Group		Company	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Trade					
Trade payables		32,165	30,693	-	-
Non-trade					
Accruals	13.1	33,066	20,562	358	680
Sundry payables		4,517	61	-	-
Amount due to a subsidiary	13.2	-	-	3,088	2,811
		37,583	20,623	3,446	3,491
		69,748	51,316	3,446	3,491

13.1 Accruals

Included in the accruals are accruals of progress cost for construction of vessels of RM19,111,000 (2019: RM9,636,000).

13.2 Amount due to a subsidiary

Amount due to a subsidiary is unsecured, interest-free and repayable on demand.

14. REVENUE

	Group		Company	
	1.5.2019 to 30.4.2020 RM'000	1.1.2018 to 30.4.2019 RM'000	1.5.2019 to 30.4.2020 RM'000	1.1.2018 to 30.4.2019 RM'000
Leasing income	159,788	162,927	-	-
Revenue from contracts with customers	53,810	69,826	-	105
Other revenue				
- Guarantee fees from subsidiaries	-	-	-	1,490
- Dividend income from subsidiaries	-	-	164	259
Total revenue	213,598	232,753	164	1,854

14.1 Disaggregation of revenue from contracts with customers

	Group		Company	
	1.5.2019 to 30.4.2020 RM'000	1.1.2018 to 30.4.2019 RM'000	1.5.2019 to 30.4.2020 RM'000	1.1.2018 to 30.4.2019 RM'000
Revenue from contracts with customers				
Crew services	53,810	69,826	-	-
Management fees	-	-	-	105
Other revenue	-	-	164	1,749
	53,810	69,826	164	1,854
Timing and recognition				
Over time	53,810	69,826	164	1,854
Leasing income	159,788	162,927	-	-
Total revenue	213,598	232,753	164	1,854

14. REVENUE (CONT'D)

14.2 Nature of services

The following information reflects the typical transactions of the Group:

Nature of goods or services	Timing of recognition or method used to recognise revenue	Significant payment terms
Crew services	Revenue is recognised over time as and when the customer simultaneously receives and consumes the benefits provided by the Group using the time lapsed method.	Credit period of 30 days from invoice period.
Management and guarantee fees from subsidiaries	Revenue is recognised over time as the customer simultaneously receives and consumes the benefits provided by the Company's performance as the Company performs.	Credit period of 30 days from invoice period.

14.3 Transaction price allocated to the remaining performance obligations

The following table shows revenue from performance obligations that are unsatisfied (or partially unsatisfied) at the reporting date. The disclosure is only providing information for contracts that have a duration of more than one year.

Group	2021 RM'000	2022 RM'000	Total RM'000
Crew services	31,203	3,599	34,802

15. FINANCE INCOME

	Group		Company	
	1.5.2019 to 30.4.2020 RM'000	1.1.2018 to 30.4.2019 RM'000	1.5.2019 to 30.4.2020 RM'000	1.1.2018 to 30.4.2019 RM'000
Financial assets at fair value through profit or loss	2,474	5,986	2,474	5,986
Other finance income recognised in profit or loss	577	2,425	171	3,162
	3,051	8,411	2,645	9,148

16. FINANCE COSTS

	Group 1.5.2019 to 30.4.2020 RM'000	Group 1.1.2018 to 30.4.2019 RM'000	Company 1.5.2019 to 30.4.2020 RM'000	Company 1.1.2018 to 30.4.2019 RM'000
Interest expense of financial liabilities that are not at fair value through profit or loss	50,607	86,984	-	-
Interest expenses of lease liabilities	249	-	59	-
	50,856	86,984	59	-

17. LOSS BEFORE TAX

	Note	Group 1.5.2019 to 30.4.2020 RM'000	Group 1.1.2018 to 30.4.2019 RM'000	Company 1.5.2019 to 30.4.2020 RM'000	Company 1.1.2018 to 30.4.2019 RM'000
Loss before tax is arrived at after charging:					
Auditors' remuneration:					
- Audit fees					
KPMG PLT		277	309	55	55
- Non-audit fees					
KPMG PLT		183	8	183	8
Material expenses/(income)					
Loss on disposal of property, vessels and equipment		-	13	-	13
Impairment loss on investment in subsidiaries		-	-	18,260	531
Impairment loss on property, vessels and equipment	3	-	17,770	-	-
Depreciation of property, vessels and equipment	3	81,594	103,904	184	281
Depreciation of right-of-use assets	4	981	-	163	-
Personnel expenses:					
- Employee benefits expense	17.1	48,936	64,527	2,784	4,223
- Non-executive directors' remuneration	17.2	815	1,003	567	678
Net foreign exchange (gain)/ loss		(1,584)	(701)	286	(15)
Dividend income from subsidiaries		-	-	(164)	(259)

17. LOSS BEFORE TAX (CONT'D)

	Note	Group 1.5.2019 to 30.4.2020 RM'000	Group 1.1.2018 to 30.4.2019 RM'000	Company 1.5.2019 to 30.4.2020 RM'000	Company 1.1.2018 to 30.4.2019 RM'000
Expenses arising from leases:					
Expenses relating to short-term leases	17.3	14,799	-	-	-
Expenses relating to leases of low-value assets	17.3	149	-	5	-
Rental of office and warehouse		-	818	-	245
Net (gain)/loss on impairment of financial instruments:					
Financial assets at amortised cost		(298)	(224)	53,907	13,433

17.1 Employee benefits expenses

	Group 1.5.2019 to 30.4.2020 RM'000	Group 1.1.2018 to 30.4.2019 RM'000	Company 1.5.2019 to 30.4.2020 RM'000	Company 1.1.2018 to 30.4.2019 RM'000
Wages and salaries	39,888	51,385	2,406	3,750
Defined contribution plan	3,321	4,058	303	389
Social security contributions	317	357	8	11
Other staff related expenses	5,410	8,727	67	73
	48,936	64,527	2,784	4,223

Included in employee benefits expense of the Group and of the Company are executive directors' remuneration amounting to RM3,128,000 (2019: RM4,267,000) and RM1,700,000 (2019: RM2,648,000) respectively.

NOTES TO THE FINANCIAL STATEMENTS

17. LOSS BEFORE TAX (CONT'D)

17.2 Directors' remuneration

	Group		Company	
	1.5.2019 to 30.4.2020 RM'000	1.1.2018 to 30.4.2019 RM'000	1.5.2019 to 30.4.2020 RM'000	1.1.2018 to 30.4.2019 RM'000
Executive directors:				
- salaries	1,955	2,671	1,073	1,360
- bonus	493	904	298	806
- fees	-	10	-	-
- defined contribution plan	314	420	160	260
- allowances and other emoluments	176	22	-	-
- benefits-in-kind	190	240	169	222
Total executive directors' remuneration	3,128	4,267	1,700	2,648
Non-executive directors:				
- fees	529	667	480	592
- other emoluments	279	315	87	86
- benefits-in-kind	7	21	-	-
Total non-executive directors' remuneration	815	1,003	567	678
Total directors' remuneration including benefits-in-kind	3,943	5,270	2,267	3,326

17.3 Expenses relating to short-term leases and leases of low-value assets

The Group and Company leases office equipment, staff accommodation and vessels with contract terms of less than 1 year. These leases are low-value assets and short-term leases. The Group and the Company has elected not to recognised right-of-use assets and lease liabilities for these leases.

18. TAX EXPENSE/(CREDIT)

Recognised in profit or loss

	Group		Company	
	1.5.2019 to 30.4.2020 RM'000	1.1.2018 to 30.4.2019 RM'000	1.5.2019 to 30.4.2020 RM'000	1.1.2018 to 30.4.2019 RM'000
Current tax expense				
Malaysian				
- current year	205	214	41	-
- prior year	381	(2,666)	328	(2,623)
	586	(2,452)	369	(2,623)
Deferred tax expense				
- origination and reversal of temporary differences	253	-	-	-
- under provision in prior years	-	38	-	-
	253	38	-	-
Total income tax expense/(credit)	839	(2,414)	369	(2,623)

Reconciliation of tax expense

	Group		Company	
	1.5.2019 to 30.4.2020 RM'000	1.1.2018 to 30.4.2019 RM'000	1.5.2019 to 30.4.2020 RM'000	1.1.2018 to 30.4.2019 RM'000
Loss before tax	(65,525)	(108,142)	(75,019)	(9,450)
Income tax using Malaysian tax rate of 24%	(15,726)	(25,954)	(18,004)	(2,268)
Different tax rate in Labuan	5,266	4,201	-	-
Non-deductible expenses	2,433	5,113	18,004	2,268
Under provision of deferred income tax in prior years	-	38	-	-
Deferred tax assets not recognised during the year	8,485	16,854	-	-
Under/(Over) provision of current income tax expense in prior year	381	(2,666)	369	(2,623)
	839	(2,414)	369	(2,623)

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions. Certain subsidiaries of the Company being Malaysian tax residents incorporated in Labuan under the Offshore Companies Act, 1990 are taxed at 3% of profit before tax in accordance with the Labuan Offshore Business Activity Tax Act, 1990.

18. TAX EXPENSE/(CREDIT) (CONT'D)

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items (stated at gross):

	Group	
	1.5.2019 to 30.4.2020 RM'000	1.1.2018 to 30.4.2019 RM'000
Property, vessels and equipment	181,611	187,381
Lease	9	-
Tax losses carry-forwards	64,482	25,342
Other provisions	62,861	60,887
	308,963	273,610
Taxed at 24%	74,151	65,666

In accordance with the provision of Finance Act 2018 requirement, the unused tax losses are available for utilisation in the next seven years from when it was incurred, for which, any excess at the end of the seventh year, will be disregarded.

Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group and the Company can utilise the benefits therefrom.

19. ACQUISITION OF SUBSIDIARY

Acquisition of a subsidiary – TKH Marine (L) Ltd. ("TKH")

In the previous financial period, a subsidiary of the Company acquired 70% issued share capital of TKH comprising 1,745,100 ordinary shares for a total consideration of RM6,848,000.

The following summarises the major classes of consideration transferred, and the recognised amounts of assets acquired and liabilities assumed at the acquisition date:

	Note	Group 2019 RM'000
Fair value of consideration transferred		
Cash and cash equivalents		6,848
Identifiable net assets acquired		
Vessels and equipment	3	15,443
Cash and cash equivalents		423
Trade and other payables		(6,083)
Carrying amount of net identifiable assets		9,783
Net cash outflow arising from acquisition of subsidiary		
Purchase consideration settled in cash and cash equivalents		6,848
Cash and cash equivalents acquired		(423)
		6,425

Goodwill

No goodwill was recognised as a result of the acquisition as below:

	Group 2019 RM'000
Total consideration transferred	6,848
Non-controlling interests, based on their proportionate interest in the recognised amounts of the assets and liabilities of the acquiree	2,935
Fair value of identifiable net assets	(9,783)
	-

NOTES TO THE FINANCIAL STATEMENTS

20. OTHER COMPREHENSIVE LOSS

Group	Before tax RM'000	Tax (expense)/ benefit RM'000	Net of tax RM'000
2020			
Items that are or may be reclassified subsequently to profit or loss			
Foreign currency translation differences for foreign operations			
- Loss arising during the year	(1)	-	(1)
2019			
Items that are or may be reclassified subsequently to profit or loss			
Foreign currency translation differences for foreign operations			
- Loss arising during the year	(2,223)	-	(2,223)

21. LOSS PER ORDINARY SHARE

Basic loss per ordinary share

The calculation of basic loss per ordinary share at 30 April 2020 was based on the loss attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding is calculated as follows:

	Group Total
2020	
Loss net of tax attributable to owners of the parent (RM'000)	(49,632)
Weighted average number of ordinary in share issue ('000)	723,879
Basic loss per share (sen)	(6.86)
2019	
Loss net of tax attributable to owners of the parent (RM'000)	(71,477)
Weighted average number of ordinary in share issue ('000)	723,879
Basic loss per share (sen)	(9.87)

22. DIVIDENDS

There was no dividend proposed, declared or paid by the Company during the financial period.

23. CONTINGENT LIABILITIES

The Directors are of the opinion that provision is not required in respect of this matter, as it is not probable that a future outflow of economic benefits will be required.

	Note	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Contingent liability not considered remote					
Litigation (unsecured)	23.1	17,800	17,800	17,800	17,800
Corporate guarantees	23.2	-	-	634,166	642,111
		17,800	17,800	651,966	659,911

23.1 Litigation (unsecured)

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.

23.2 Corporate guarantees

The Company provided corporate guarantees on the secured term loans and revolving credit of its subsidiaries as per Note 11.1(g) and 11.3(b). Any loss arising from the guarantee is dependent on the successful completion of the PDRS as stated in Note 1(b).

NOTES TO THE FINANCIAL STATEMENTS

24. OPERATING SEGMENTS

Changes in the composition of the Group

The Group has two reportable business segment based on the services provided – the Marine Logistics Services, and the customer groups' activities – the Upstream and Downstream activities.

Performance is measured based on segment profit after tax as included in the management reports that are reviewed by the Chief Operating Decision Maker ("CODM") (i.e. the Executive Vice Chairman of Jasa Merin for the Offshore Marine Support Services). Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

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.

Segment assets

The total of segment assets is measured based on all assets (including goodwill) of a segment, as included in the internal management reports that are reviewed by the CODM. Segment total assets is used to measure the return on assets of each segment.

Segment liabilities

The total of segment liabilities is measured based on all liabilities of a segment, as included in the internal management reports that are reviewed by the CODM. Segment total liabilities is used to measure the gearing of each segment.

Segment capital expenditure

Segment capital expenditure is the total cost incurred during the financial year to acquire property, vessels and equipment and intangible assets other than goodwill.

NOTES TO THE FINANCIAL STATEMENTS

24. OPERATING SEGMENTS (CONT'D)

	Marine Logistics - Upstream		Marine Logistics - Downstream		Investment Holding and Others		Adjustments and eliminations		Per consolidated financial statements	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue:										
External customers	161,567	179,652	52,031	53,101	-	-	-	-	213,598	232,753
Inter-segment	-	-	-	-	164	1,854	(164)	(1,854)	-	-
Total revenue	161,567	179,652	52,031	53,101	164	1,854	(164)	(1,854)	213,598	232,753
Segment (loss)/profit	(56,907)	(115,495)	(6,256)	4,196	(75,468)	(6,929)	72,267	12,500	(66,364)	(105,728)
Included in the measure of segment (loss)/profit are:										
Interest income	405	28	-	1,708	2,646	9,164	-	(2,489)	3,051	8,411
Impairment of property, vessels and equipment	-	(17,770)	-	-	-	-	-	-	-	(17,770)
Impairment of trade and other receivables	991	317	(693)	(93)	(53,907)	(13,433)	53,907	13,433	298	224
Depreciation and amortisation	(71,570)	(94,222)	(10,657)	(9,401)	(347)	(281)	-	-	(82,574)	(103,904)
Finance costs	(49,069)	(86,341)	(1,992)	(3,424)	(59)	-	264	2,781	(50,856)	(86,984)
Income tax benefit/(expense)	(215)	(1)	(253)	(204)	(371)	2,619	-	-	(839)	2,414
Segment assets	705,746	740,683	209,689	177,615	189,251	263,724	(145,108)	(143,268)	959,578	1,038,754
Included in the measure of segment assets are:										
Additions to non-current assets other than financial instruments and deferred tax assets	23,329	17,088	35,677	100,003	7	46	-	-	59,013	117,137
Segment liabilities	1,108,837	1,086,883	219,165	180,961	4,492	3,498	(297,658)	(223,695)	1,034,836	1,047,647

24. OPERATING SEGMENTS (CONT'D)

Note:
Nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements:

(a) Inter-segment transactions and balances are eliminated on consolidation;
(b) Other non-cash expenses; and
(c) Additions to non-current assets consist of:

		Group	
	Note	2020 RM'000	2019 RM'000
Additions to non-current assets			
Property, vessels and equipment	3	59,013	117,137

Geographical information

Revenue from the offshore marine support services segments are attributable to customers in Malaysia, Singapore, Hong Kong, Taiwan and other countries.

	Revenue	
	2020 RM'000	2019 RM'000
Malaysia	170,844	183,145
Singapore	35,634	45,377
Hong Kong	6,784	-
Taiwan	-	3,603
Others	336	628
	213,598	232,753

All of the Group's non-current assets are located in Malaysia.

Major customers

During the financial year, the number of major customers of the Group with revenue equal or more than 10% of the Group's total revenue is three (3) (2019: four (4)) representing Marine Logistics - Upstream segment and the total revenue contributed by these major customers are RM102,139,000 (2019: RM138,126,000).

25. FINANCIAL INSTRUMENTS

25.1 Categories of financial instruments

The table below provides an analysis of financial instruments as at 30 April 2020 categorised as follows:

(a) Amortised cost ("AC"); and
(b) Fair value through profit or loss ("FVTPL")
 - Mandatorily required by MFRS 9

	Carrying amount RM'000	AC RM'000	Mandatorily at FVTPL RM'000
2020			
Group			
Financial assets			
Trade and other receivables*	38,062	38,062	-
Other investments	38,683	-	38,683
Cash and cash equivalents	38,662	38,662	-
	115,407	76,724	38,683
Financial liabilities			
Loans and borrowings	(960,470)	(960,470)	-
Trade and other payables	(69,798)	(69,798)	-
	(1,030,268)	(1,030,268)	-
Company			
Financial assets			
Trade and other receivables*	20,783	20,783	-
Other investments	38,683	-	38,683
Cash and cash equivalents	4,210	4,210	-
	63,676	24,993	38,683
Financial liability			
Trade and other payables	(3,446)	(3,446)	-

* Excluding prepayments

NOTES TO THE FINANCIAL STATEMENTS

25. FINANCIAL INSTRUMENTS (CONT'D)

25.1 Categories of financial instruments (cont'd)

	Carrying amount RM'000	AC RM'000	Mandatorily at FVTPL RM'000
2019			
Group			
Financial assets			
Trade and other receivables*	33,340	33,340	-
Other investments	114,323	-	114,323
Cash and cash equivalents	25,397	25,397	-
	173,060	58,737	114,323
Financial liabilities			
Loans and borrowings	(996,128)	(996,128)	-
Trade and other payables	(51,316)	(51,316)	-
	(1,047,444)	(1,047,444)	-
Company			
Financial assets			
Trade and other receivables*	599	599	-
Other investments	114,323	-	114,323
Cash and cash equivalents	3,260	3,260	-
	118,182	3,859	114,323
Financial liability			
Trade and other payables	(3,491)	(3,491)	-

* Excluding prepayments

25. FINANCIAL INSTRUMENTS (CONT'D)

25.2 Net losses and gains arising from financial instruments

	Group		Company	
	1.5.2019 to 30.4.2020 RM'000	1.1.2018 to 30.4.2019 RM'000	1.5.2019 to 30.4.2020 RM'000	1.1.2018 to 30.4.2019 RM'000
Net (losses)/gains on:				
Financial assets at fair value through profit or loss				
- Mandatorily by MFRS 9	2,474	5,986	2,474	5,986
Financial assets at amortised cost	2,459	3,350	(54,022)	(10,256)
Financial liabilities at amortised cost	(50,607)	(86,984)	-	-
	(45,674)	(77,648)	(51,548)	(4,270)

25.3 Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

25.4 Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its trade and other receivables. The Company's exposure to credit risk arises principally from amount due from subsidiaries and financial guarantees given to banks for credit facilities granted to subsidiaries.

Trade receivables

Risk management objectives, policies and processes for managing the risk

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

At each reporting date, the Group assesses whether any of the trade receivables are credit impaired.

The gross carrying amounts of credit impaired trade receivables are written off (either partially or full) when there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subjects to write-off. Nevertheless, trade receivables that are written off could still be subject to enforcement activities.

There are no significant changes as compared to previous year.

NOTES TO THE FINANCIAL STATEMENTS

25. FINANCIAL INSTRUMENTS (CONT'D)

25.4 Credit risk (cont'd)

Trade receivables (cont'd)

Exposure to credit risk, credit quality and collateral

As at the end of the reporting year, the maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the statement of financial position.

Recognition and measurement of impairment loss

In managing credit risk of trade receivables, the Group manages its debtors and takes appropriate actions (including but not limited to legal actions) to recover long overdue balances. Generally, trade receivables will pay within 30 days. The Group's debt recovery process is as follows:

a) Above 30 days past due after credit term, the Group will start to initiate a structured debt recovery process which is monitored by the sales management team; and
b) Above 365 days past due, the Group will commence a legal proceeding against the customer.

The Group uses an allowance matrix to measure expected credit loss ("ECL") of trade receivables.

Loss rates are calculated using a 'roll rate' method on the probability of a receivable progressing through successive stages of delinquency to being written off.

Loss rates are based on actual credit loss experience over the past two years. The Group also considers differences between economic conditions during the year over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables. Nevertheless, the Group believes that these factors are immaterial for the purpose of impairment calculation for the year.

25. FINANCIAL INSTRUMENTS (CONT'D)

25.4 Credit risk (cont'd)

Trade receivables (cont'd)

Recognition and measurement of impairment loss (cont'd)

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at 30 April 2020 which are grouped together as they are expected to have similar risk nature.

Group	Gross carrying amount RM'000	Loss allowance RM'000	Net balance RM'000
2020			
Current (not past due)	17,150	-	17,150
1 - 30 days past due	8,121	-	8,121
31 - 60 days past due	803	-	803
61 - 90 days past due	2,949	(2,035)	914
	29,023	(2,035)	26,988
Credit impaired			
Individually impaired	1,274	(1,274)	-
	30,297	(3,309)	26,988
2019			
Current (not past due)	12,750	-	12,750
1 - 30 days past due	11,130	-	11,130
31 - 60 days past due	4,757	(1,373)	3,384
61 - 90 days past due	138	(37)	101
	28,775	(1,410)	27,365
Credit impaired			
Individually impaired	2,197	(2,197)	-
	30,972	(3,607)	27,365

25. FINANCIAL INSTRUMENTS (CONT'D)

25.4 Credit risk (cont'd)

Trade receivables (cont'd)

Recognition and measurement of impairment loss (cont'd)

The movements in the allowance for impairment in respect of trade receivables during the year are shown below:

Group	Net RM'000
Balance at 1 January 2018	3,831
Net remeasurement of loss allowance	(224)
At 30 April 2019/1 May 2019	3,607
Net remeasurement of loss allowance	(298)
At 30 April 2020	3,309

Cash and cash equivalents

The cash and cash equivalents are held with banks and financial institutions. As at the end of the reporting year, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

These banks and financial institutions have low credit risks. In addition, some of the bank balances are insured by government agencies. Consequently, the Group and the Company are of the view that the loss allowance is not material and hence, it is not provided for.

Other receivables

Credit risks on other receivables are mainly arising from non-trade receivables from charterers. These receivables will be received at the end of each charter hire. The Group manages the credit risk together with the trade receivables.

As at the end of the reporting year, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

As at the end of the reporting year, the Group did not recognised any allowance for impairment losses.

Financial guarantees

Risk management objectives, policies and processes for managing the risk

The Company provides financial guarantees to banks in respect of banking facilities granted to certain subsidiaries. The Company monitors the ability of the subsidiaries to service their loans on an individual basis.

25. FINANCIAL INSTRUMENTS (CONT'D)

25.4 Credit risk (cont'd)

Financial guarantees (cont'd)

Exposure to credit risk, credit quality and collateral

The maximum exposure to credit risk amounts to RM634,166,000 (2019: RM642,111,000) representing the outstanding banking facilities of the subsidiaries as at end of the reporting year.

The financial guarantees are provided as credit enhancements to the subsidiaries' secured loans.

Recognition and measurement of impairment loss

The Company assumes that there is a significant increase in credit risk when a subsidiary's financial position deteriorates significantly. The Company considers a financial guarantee to be credit impaired when:

- The subsidiary is unlikely to repay its credit obligation to the bank in full; or
- The subsidiary is continuously loss making and is having a deficit shareholders' fund.

The Company determines the probability of default of the guaranteed loans individually using internal information available.

As disclosed in Note 1(b), the Group has completed the PDRS from respective lenders and the new term loans will be effective from 13 August 2020. As a results, the Company did not recognised any allowance for impairment losses.

Inter-company balances

Risk management objectives, policies and processes for managing the risk

The Company provides loans and advances to subsidiaries. The Company monitors the ability of the subsidiaries to repay the loans and advances on an individual basis.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting year, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

Loans and advances provided are not secured by any collateral or supported by any other credit enhancements.

25. FINANCIAL INSTRUMENTS (CONT'D)

25.4 Credit risk (cont'd)

Inter-company balances (cont'd)

Recognition and measurement of impairment loss

Generally, the Company considers loans and advances to subsidiaries have low credit risk. The Company assumes that there is a significant increase in credit risk when a subsidiary's financial position deteriorates significantly. As the Company is able to determine the timing of payments of the subsidiaries' loans and advances when they are payable, the Company considers the loans and advances to be in default when the subsidiaries are not able to pay when demanded. The Company considers a subsidiary's loan or advance to be credit impaired when:

- The subsidiary is unlikely to repay its loan or advance to the Company in full;
- The subsidiary's loan and advance is overdue for more than 365 days; or
- The subsidiary is continuously loss making and is having a deficit shareholders' fund.

The Company determines the probability of default for these loans and advances individually using internal information available.

The following table provides information about the exposure to credit risk and ECLs for subsidiaries' loans and advances as at 30 April 2020.

Company	Gross carrying amount RM'000	Impairment loss allowance RM'000	Net balance RM'000
2020			
Low credit risk	20,660	-	20,660
Credit impaired	132,935	(132,935)	-
	153,595	(132,935)	20,660
2019			
Low credit risk	486	-	486
Credit impaired	79,028	(79,028)	-
	79,514	(79,028)	486

25. FINANCIAL INSTRUMENTS (CONT'D)

25.4 Credit risk (cont'd)

Inter-company balances (cont'd)

Recognition and measurement of impairment loss (cont'd)

The movement in the allowance for impairment in respect of subsidiaries' loans and advances during the financial year is as follows:

Company	Lifetime ECL RM'000
Balance at 1 January 2018	65,595
Impairment loss recognised	13,433
Balance at 30 April 2019/1 May 2019	79,028
Impairment loss recognised	53,907
Balance at 30 April 2020	132,935

25.5 Liquidity risk

Liquidity risk is the risk that the Group and the Company will not able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises principally from its various payables, loans and borrowings.

The Group maintains a level of cash and cash equivalents deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

NOTES TO THE FINANCIAL STATEMENTS

25. FINANCIAL INSTRUMENTS (CONT'D)

25.5 Liquidity risk (cont'd)

Maturity analysis

The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting year based on undiscounted contractual payments:

2020	Carrying amount RM'000	Contractual interest rate %	Contractual cash flows RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	More than 5 years RM'000
Group							
Secured term loans	944,899	4.90% - 7.70%	1,083,790	205,173	173,920	618,449	86,248
Revolving credits	15,571	6.15%	16,186	16,186	-	-	-
Lease liabilities	4,089	5.39% - 6.20%	4,482	1,464	2,982	36	-
Trade and other payables	69,748	-	69,748	69,748	-	-	-
	1,034,307		1,174,206	292,571	176,902	618,485	86,248
Company							
Lease liabilities	1,033	5.39%	1,028	404	624	-	-
Trade and other payables	3,446	-	3,446	3,446	-	-	-
Financial guarantees	-	-	634,166	634,166	-	-	-
	4,479		638,640	638,016	624	-	-

NOTES TO THE FINANCIAL STATEMENTS

25. FINANCIAL INSTRUMENTS (CONT'D)

25.5 Liquidity risk (cont'd)

Maturity analysis (cont'd)

The table below summarises the maturity profile of the Group's financial liabilities as at the end of the reporting year based on undiscounted contractual payments:

2019	Carrying amount RM'000	Contractual interest rate %	Contractual cash flows RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	More than 5 years RM'000
Group							
Secured term loans	949,957	4.90% - 7.70%	1,213,355	76,898	202,124	460,387	473,946
Hire purchase liabilities	150	3.05%	165	55	55	55	-
Revolving credits	40,000	6.15%	40,000	40,000	-	-	-
Bank overdrafts	6,021	7.90% - 8.10%	6,021	6,021	-	-	-
Trade and other payables	51,316	-	51,316	51,316	-	-	-
	1,047,444		1,310,857	174,290	202,179	460,442	473,946
Company							
Trade and other payables	3,491	-	3,491	3,491	-	-	-
Financial guarantees	-	-	642,111	642,111	-	-	-
	3,491		645,602	645,602	-	-	-

25. FINANCIAL INSTRUMENTS (CONT'D)

25.6 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rate and other prices that will affect the Group's financial position or cash flows.

25.6.1 Currency risk

The Group is exposed to foreign currency risk on purchases and bank balances that are denominated in a currency other than the respective functional currencies of the Group entities. The currencies giving rise to this risk are primarily U.S. Dollar ("USD"), Singapore Dollars ("SGD"), Euro ("EUR") and Japanese Yen ("YEN").

Risk management objectives, policies and processes for managing the risk

Exposure to foreign currency risk is monitored on an ongoing basis. The Group does not perform hedging on foreign currency transactions.

Exposure to foreign currency risk

The Group's exposure to foreign currency (a currency which is other than the functional currency of the Group entities) risk, based on carrying amounts as at the end of the reporting year was:

	Denominated in			
	USD RM'000	SGD RM'000	EUR RM'000	YEN RM'000
Group				
2020				
Trade and other receivables	2,107	-	-	-
Cash and cash equivalents	4,439	13	-	-
Trade and other payables	(6,643)	(884)	(273)	(220)
Net exposure in the statement of financial position	(97)	(871)	(273)	(220)
2019				
Trade and other receivables	4,977	88	-	-
Cash and cash equivalents	1,693	-	-	-
Trade and other payables	(2,834)	(966)	(159)	(437)
Net exposure in the statement of financial position	3,836	(878)	(159)	(437)

25. FINANCIAL INSTRUMENTS (CONT'D)

25.6 Market risk (cont'd)

25.6.1 Currency risk (cont'd)

Currency risk sensitivity analysis

A 10% (2019: 10%) strengthening of the Ringgit Malaysia against the following currencies at the end of the reporting year would have decreased pre-tax profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting year. The analysis assumes that all other variables, in particular interest rates remained constant.

	Profit or loss	
	2020	2019
	RM'000	RM'000
Group		
USD	(10)	384
SGD	(87)	(88)
EUR	(27)	(16)
YEN	(22)	(44)
	(146)	236

A 10% (2019: 10%) weakening of Ringgit Malaysia against the above currencies at the end of the reporting year would have had equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remained constant.

25.6.2 Interest rate risk

The Group's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Short-term receivables and payables are not significantly exposed to interest rate risk.

Risk management objectives, policies and processes for managing the risk

Management has an informal interest rate policy in place and management reviews interest rates exposure closely.

25. FINANCIAL INSTRUMENTS (CONT'D)

25.6 Market risk (cont'd)

25.6.2 Interest rate risk (cont'd)

Exposure to interest rate risk

The interest rate profile of the Group's and the Company's significant interest bearing financial instruments, based on carrying amounts as at the end of the reporting year was:

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Fixed rate instruments				
Financial assets	46,440	121,283	41,755	117,333
Financial liabilities	(648,131)	(667,589)	(1,033)	-
	(601,691)	(546,306)	40,722	117,333
Floating rate instruments				
Financial liabilities	(316,428)	(328,539)	-	-

Interest rate risk sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the end of the reporting year would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 1% (2019: 1%) in effective interest rates at the end of the reporting year would have increased/(decreased) equity and pre-tax profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant.

	Equity and Profit or loss			
	2020		2019	
	1% Increase RM'000	1% Decrease RM'000	1% Increase RM'000	1% Decrease RM'000
Group				
Floating rate instruments	(3,164)	3,164	(3,285)	3,285

25. FINANCIAL INSTRUMENTS (CONT'D)

25.7 Fair value information

The carrying amounts of cash and cash equivalents, trade and other receivables and trade and other payables reasonably approximate their fair values due to the relatively short-term nature of these financial instruments.

The fair values of loans and borrowings, together with the carrying amounts shown in the statement of financial position, are as follows:

	Fair value of financial instruments not carried at fair value*				
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Carrying amount RM'000
Group					
2020					
Financial liabilities					
Secured term loans	-	-	944,685	944,685	944,899
Revolving credits	-	-	15,571	15,571	15,571
	-	-	960,256	960,256	960,470
2019					
Financial liabilities					
Secured term loans	-	-	804,374	804,374	949,957
Hire purchase payables	-	-	154	154	150
Revolving credits	-	-	40,000	40,000	40,000
	-	-	844,528	844,528	990,107

* There are no financial instruments carried at fair value.

Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

Level 1 fair value

Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical financial assets or liabilities that the entity can access at the measurement date.

Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the financial assets or liabilities, either directly or indirectly.

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting year.

NOTES TO THE FINANCIAL STATEMENTS

25. FINANCIAL INSTRUMENTS (CONT'D)

25.7 Fair value information

Transfer between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and 2 fair values during the financial year (2019: no transfer in either directions).

Level 3 fair value

Fair value of secured term loans and revolving credits is estimated using unobservable inputs for the financial liabilities using discounted cash flow method.

26. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 30 April 2020 and 30 April 2019.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group considers the net debt as loans and borrowings, trade and other payables, less cash and cash equivalents.

		Group		Company	
	Note	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Loans and borrowings	11	960,470	996,128	-	-
Trade and other payables	13	69,748	51,316	3,446	3,491
Less: Cash and cash equivalents	9	(38,662)	(25,397)	(4,210)	(3,260)
Total net debt		991,556	1,022,047	(764)	231
Total equity attributable to the owners of the Company		41,819	91,402	184,420	259,808
Capital and net debt		1,033,375	1,113,449	183,656	260,039
Gearing ratio		96%	92%	n/a	n/a

27. RELATED PARTIES

Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the parties are subject to common control. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. Key management personnel include all the Directors of the Group.

Significant related party transactions

The significant related party transactions of the Group and of the Company, other than key management personnel compensation, are as follows:

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Subsidiaries				
Advances to a subsidiary	-	-	54,748	11,500
Dividend income	-	-	164	259
Management fees	-	-	-	105
Corporate guarantee fees	-	-	-	1,490

The Directors of the Company are of the opinion that the above transactions have been entered into in the normal course of business and have been established on terms and conditions that are mutually agreed between the companies.

The outstanding balances arising from the above transactions have been disclosed in Note 8 and Note 13 to the financial statements.

Compensation of key management personnel

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Salaries and bonus	3,702	5,411	1,949	2,956
Fees	-	10	-	-
Allowance and other emoluments	464	230	89	204
Defined contribution plan	502	642	240	369
Other benefits	193	243	172	224
	4,861	6,536	2,450	3,753

28. CAPITAL COMMITMENTS

Capital expenditure as at the reporting date is as follows:

	Group	
	2020 RM'000	2019 RM'000
Capital expenditure		
Approved and contracted for:		
Property, vessels and equipment	22,667	32,346
Approved but not contracted for:		
Property, vessels and equipment	10,264	23,938

29. SUBSEQUENT EVENTS

29.1 Acquisition of the remaining 30% equity interest in TKH Marine (L) Ltd ("TKH") ("Acquisition")

On 17 July 2020, M&G Tankers Sdn. Bhd. ("MGTSB") entered into a sale and purchase agreement with Teng Keng Han for the acquisition of the remaining 30% equity interest in TKH for a purchase consideration of USD800,000 (approximately RM3.5 million). MGTSB is a wholly owned subsidiary of M&G Marine Logistics Holdings Sdn. Bhd. ("MGMLH"), which in turn is a wholly owned subsidiary of the Company.

The Acquisition of shares in TKH is completed on 30 July 2020. Following the completion of the Acquisition, TKH is now an indirect wholly owned subsidiary of the Company.

29.2 Disposal of 40% equity interest in M&G Sutera 8 Sdn. Bhd. ("MGS8") by M&G Marine Logistics Holding Sdn. Bhd. ("MGMLH"), a wholly owned subsidiary of Marine & General Berhad ("MGB") ("Disposal")

On 20 July 2020, MGMLH, a wholly owned subsidiary of the Company entered into a subscription agreement ("Subscription Agreement") with Muhibbah Engineering (M) Bhd. ("MEB") where MEB will subscribe 40% equity interest in MGS8, for a consideration of RM21,841,128.

MGS8 was a wholly owned subsidiary of MGMLH, and accordingly, is a wholly owned subsidiary of the Company. As such, upon completion of the Subscription Agreement, the Company is deemed to have disposed 40% of its equity interest in MGS8.

The Disposal of 40% equity interest in MGS8 was completed on 30 July 2020. Following the completion of the Disposal, MGS8 is now a 60% owned subsidiary of MGMLH which in turn is a direct wholly owned subsidiary of the Company.

29.3 Issuance of RM150 million irredeemable preference shares by Jasa Merin (Malaysia) Sdn. Bhd. ("JMM") to its Lenders

On 13 August 2020, Jasa Merin (Malaysia) Sdn. Bhd. ("JMM") completed the issuance of RM150 million irredeemable preference shares ("JMM PS") to Affin Bank Bhd ("ABB"), Bank Pembangunan Malaysia Bhd ("BPMB") and Maybank Islamic Bank ("MIB") [collectively "Lenders"] as part of its debt restructuring exercise agreed under the CDRC assisted mediation process.

29. SUBSEQUENT EVENTS (CONT'D)

29.3 Issuance of RM150 million irredeemable preference shares by Jasa Merin (Malaysia) Sdn. Bhd. ("JMM") to its Lenders (cont'd)

The issuance of JMM PS, which was approved by the shareholders of the Company at an Extraordinary General Meeting ("EGM") held on 31 December 2019, is part of the overall effort undertaken by M&G to restructure the outstanding amounts of JMM due to its Lenders. The debt restructuring mediated between JMM and its Lenders under the auspices of the Corporate Debt Restructuring Committee, involves the following:

(i) Upfront payment to the Lenders of RM50 million;
(ii) Settlement of the outstanding amounts amounting to RM150 million via the issuance of the JMM PS; and
(iii) Granting to JMM and its affected subsidiaries additional time to settle the balance outstanding amount of RM728 million by way of a term financing.

This issuance of the JMM PS reduces the indebtedness of the JMM and its subsidiaries to its Lenders by RM150 million, resulting in interest savings of RM7.65 million per annum based on the effective interest rate of the term financing of 5.1% per annum and gain arising from modification of financial liabilities which will improve the net assets of the Group.

The Group is currently assessing the financial impact of the gain arising from the modification of financial liabilities due to the complexity of the accounting treatment.

29.4 Subscription of 132,934,501 new cumulative non-convertible redeemable preference shares in JMM

On 13 August 2020, the Company has completed the subscription of 132,934,501 new cumulative non-convertible redeemable preference shares ("CN-RPS") in JMM.

The subscription of the CN-RPS is undertaken to capitalise the amount owing by JMM to the Company, which would reduce JMM's debt without any cash outflow, preserving its cash resources for other purposes, such as working capital requirements. Further, the capitalisation of the amount owing to the Company will increase JMM's capital base, which is expected to place JMM and its subsidiaries on a stronger footing.

29.5 Implication of Covid-19 to the Group and Company's business

The coronavirus (Covid-19) pandemic was announced by the World Health Organisation in March 2020 given the outbreak of the virus in countries across the world. The Covid-19 pandemic has resulted in disruptions to businesses and various macro-economic impacts. The Government of Malaysia ("GOM") announced Movement Control Order under the Prevention and Control of Infectious Diseases Act 1988 and the Police Act 1967 starting from 18 March until 12 May 2020 as one of the measures to mitigate the impact of the virus.

On 1 May 2020, the GOM announced and imposed the Conditional Movement Control Order effective from 13 May until 9 June 2020. Subsequently on 7 June 2020, the GOM further announced and imposed the Recovery Movement Control Order effective from 10 June to 31 August 2020.

The outbreak has resulted in disruption to business operations and a significant increase in economic uncertainty.

As the situation continues to be fluid and rapidly evolving, the Group and the Company do not consider it practicable to provide a quantitative estimate of the potential impact of these economic conditions on the Group and the Company. However, the Group and the Company will actively monitor and manage the operation to minimise any potential impact.

30. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES

During the year, the Group and the Company adopted MFRS 16, *Leases*.

Definition of a lease

On transition to MFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied MFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under MFRS 117 and IC Interpretation 4, *Determining whether an Arrangement contains a Lease* were not reassessed. Therefore, the definition of a lease under MFRS 16 has been applied only to contracts entered into or changed on or after 1 May 2019.

As a lessee

Where the Group and the Company are a lessee, the Group and the Company applied the requirements of MFRS 16 retrospectively with the cumulative effect of initial application as an adjustment to the opening balance of retained earnings at 1 May 2019.

At 1 January 2019, for leases that were classified as operating lease under MFRS 117, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group entities' incremental borrowing rate as at 1 May 2019. The weighted-average rate applied is 6%. Right-of-use assets are measured at either:

- their carrying amount as if MFRS 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at 1 May 2019; or
- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Group used the following practical expedients when applying MFRS 16 to leases previously classified as operating lease under MFRS 117:

- applied a single discount rate to a portfolio of leases with similar characteristics;
- applied the exemption not to recognize right-of-use assets and liabilities for lease with less than 12 months of lease term as at 1 May 2019;
- excluded initial direct costs from measuring the right-of-use asset at the date of initial application;
- used hindsight when determining the lease term if the contract contains options to extend or terminate the lease; and
- adjusted the right-of-use assets by the amount of provision for onerous contract under MFRS 137 immediately before the date of initial application, as an alternative to an impairment review.

For leases that were classified as finance lease under MFRS 117, the carrying amounts of the right-of-use asset and the lease liability at 1 May 2019 are determined to be the same as the carrying amount of the leased asset and lease liability under MFRS 117 immediately before the date.

As a lessor

Group entities who is an intermediate lessor reassessed the classification of a sublease previously classified as an operating lease under MFRS 117 and conclude that the sublease is an operating lease under MFRS 16.

30. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES (CONT'D)

30.1 Impacts on financial statements

Since the Group and the Company applied the requirements of MFRS 16 retrospectively with the cumulative effect of initial application at 1 May 2019, there are no adjustments made to the prior period presented.

The following table explains the difference between operating lease commitments disclosed applying MFRS 117 as at 30 April 2020, and lease liabilities recognised in the statement of financial position at 1 May 2019.

Group	RM'000
Operating lease commitments at 30 April 2019	5,292
Discounted using the incremental borrowing rate at 1 May 2019	4,996
Finance lease liabilities recognised at 30 April 2019	150
Recognition exemption for short-term leases	(11)
Recognition exemption for leases of low-value assets	(169)
Lease liabilities recognised at 1 May 2019	4,966

Company	RM'000
Operating lease commitments at 30 April 2019	1,236
Discounted using the incremental borrowing rate at 1 May 2019	1,171
Recognition exemption for leases of low-value assets	(15)
Lease liabilities recognised at 1 May 2019	1,156

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

In the opinion of the Directors, the financial statements set out on pages 59 to 135 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 30 April 2020 and of their financial performance and cash flows for the year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

....

Dato' Mohd Azlan Hashim
Director

....

Tan Sri Datuk Seri Razman M Hashim
Director

Kuala Lumpur,

Date: 27 August 2020

STATUTORY DECLARATION

PURSUANT TO SECTION 251(1)(b) OF THE COMPANIES ACT 2016

I, Mohd Nizam bin Abd Wahab, the officer primarily responsible for the financial management of Marine & General Berhad, do solemnly and sincerely declare that the financial statements set out on pages 59 to 135 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed Mohd Nizam bin Abd Wahab, NRIC: 680510-10-6051, at Kuala Lumpur in the Federal Territory on 27 August 2020.

....

Mohd Nizam bin Abd Wahab

Before me:

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF MARINE & GENERAL BERHAD
(Registration No. 199601033545 (405897-V))
(Incorporated in Malaysia)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Marine & General Berhad, which comprise the statements of financial position as at 30 April 2020 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial period then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 59 to 135.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 30 April 2020, and of their financial performance and their cash flows for the financial period then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our auditors' report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and the Company for the current period. These matters were addressed in the context of our audit of the financial statements of the Group and the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF MARINE & GENERAL BERHAD
(Registration No. 199601033545 (405897-V))
(Incorporated in Malaysia)

Key Audit Matters (cont'd)

Going concern	
Refer to Note 1(b) – Basis of measurement and Note 29.3 – Subsequent events: Issuance of RM150 million irredeemable preference shares by Jasa Merin (Malaysia) Sdn. Bhd. ("JMM") to its lenders.	
The key audit matter	**How the matter was addressed in our audit**
We refer to Note 1(b) on Basis of measurement where the Directors highlighted the significant judgements in the preparation of the financial statements using the going concern basis. We identified this as a key audit matter because this is a judgemental basis used in the preparation of the financial statements.	We performed the following audit procedures, among others: • We tested the loan covenants to determine any breach, on or before the financial period end; • We read minutes and gained understanding on the management's future plans and actions to improve cash flow of the Group; • We read, inspected and analysed the offer letters and disbursement letters received from the lenders; • We read, inspected the signed facilities agreements and the statutory record on the issuance of the JMM irredeemable preference shares; • We checked management's cash flows forecast for the Group to the approved annual budget by the Directors; • We discussed and challenged management on key assumptions used in the cash flows forecasts including cash collection trends, payment profiles and significant transactions in relation to investing and financing activities; • We read and analysed the financials of the Group to evaluate the liquidity position of the Group; • We challenged management on the appropriateness to prepare financial statements on a going concern basis; and • We determined that adequate disclosures are made in the financial statements.

Key Audit Matters (cont'd)

Impairment of vessels

Refer to Note 2(d) - Significant accounting policy: Property, vessels and equipment and Note 3 - Property, vessels and equipment.

The key audit matter	How the matter was addressed in our audit
As at 30 April 2020, the Group reported vessels together with dry docking expenditure with aggregate carrying amount of RM771 million (93% of total assets of the Group). The slump in the oil and gas pricing affecting the offshore activities and upstream vessels, gave rise to a risk that the carrying amount of the Group's vessels and drydocking expenditure might exceed their recoverable amounts, and therefore the carrying amount had to be impaired. The Group via external valuers estimated the recoverable amount for each cash generating unit ("CGU") (see Note 3 to the financial statements) based on fair value less cost of disposal relevant to each of the CGU. As a result, no impairment loss was recognised in the current financial year. We have identified the aforesaid carrying value of the Group's vessels together with dry docking expenditure as a key audit matter because: • of its significance to total assets in the consolidated financial statements; and • the estimation of recoverable amount involved a significant degree of judgement and assumptions made by the Group such as estimated utilisation, disposal values, charter hire rates and discount rates applied to future cash flows.	We performed the following audit procedures, among others: • We assessed the methodologies used by the external valuers to estimate the fair values less cost of disposal; • We evaluated and challenged the key assumptions used to estimate the fair value less cost of disposal based on our knowledge of the offshore oil services industry; • We evaluated and interviewed the independent external valuer's competence, capabilities and objectivity; • We evaluated the accuracy and relevance of the input data provided by management to the external valuer; and • We also considered the adequacy of the Group's disclosures about those assumptions to which the outcome of the impairment assessment is most sensitive.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF MARINE & GENERAL BERHAD
(Registration No. 199601033545 (405897-V))
(Incorporated in Malaysia)

Key Audit Matters (cont'd)

Impairment of investments in subsidiaries and amount due from subsidiaries – Company

Refer to Note 1(d)(iii) - Use of estimates and judgements: Impairment of investments in subsidiaries and Note 5 - Investments in subsidiaries.

The key audit matter	How the matter was addressed in our audit
As at 30 April 2020, the Company had investment in subsidiaries with aggregated carrying amount of RM122 million. The subsidiaries were in net current liability as at 30 April 2020. This increased the risk that the carrying amount of the Company's investment in subsidiaries might exceed their recoverable amount. Based on the impairment assessment carried out by the management, an impairment loss of RM18 million was recorded for the current year. We identified the carrying value of the Company's investment in subsidiaries as a key audit matter because: • of it significant to total assets in the Company's financial statements; and • it required us to exercise judgement in evaluating the appropriateness of the assumptions used in deriving the recoverable amount to assess the adequacy of management impairment loss provision.	We performed the following audit procedures, among others: • We re-assessed the Group's assessment on indicators of impairment in investment in subsidiaries; • We assessed management's determination of the impairment loss based on use of external valuers providing the fair value less cost of disposal in respect of the assets held by the said subsidiaries; • In addition to the above, we: - Evaluated the independent external valuer's competence, capabilities and objectivity; - Evaluated the accuracy and relevance of the input data provided by management to the external valuer; and - Considered the adequacy of the Group's disclosures about those assumptions to which the outcome of the impairment assessment is most sensitive. • We assessed management assessment on the substance of advance given to subsidiaries which provides an exposure similar to an investment in ordinary shares of the subsidiaries; and • We reviewed the board approval on the further capitalisation on the investment in subsidiaries in the next twelve months.

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the annual report and, in doing so, consider whether the annual report is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the annual report, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the ability of the Group and of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Group and of the Company.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group or of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF MARINE & GENERAL BERHAD
(Registration No. 199601033545 (405897-V))
(Incorporated in Malaysia)

Auditors' Responsibilities for the Audit of the Financial Statements (cont'd)

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Matter

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG PLT
(LLP0010081-LCA & AF 0758)
Chartered Accountants

Muhammad Azman Bin Che Ani
Approval Number: 02922/04/2022 J
Chartered Accountant

Petaling Jaya

Date: 27 August 2020

SUBSTANTIAL SHAREHOLDERS
AS AT 17 AUGUST 2020

		Ordinary Shares	
		No. of Shares	%
1.	Abdul Rahman bin Ali	192,781,751	26.63%
2.	Dato' Mohd Azlan Hashim*	170,454,226	23.55%
3.	Johan Zainuddin bin Dzulkifli**	99,878,126	13.80%
4.	Bijak Permai Sdn Bhd	91,236,333	12.60%
5.	Infra Bumitek Sdn Bhd	59,555,426	8.23%

Notes:

* Direct interest through RHB Capital Nominees (Tempatan) Sdn Bhd and deemed interests through Bijak Permai Sdn Bhd and Infra Bumitek Sdn Bhd.

** Direct and deemed interest through Infra Bumitek Sdn Bhd.

DIRECTORS' INTEREST IN SHARES

AS AT 17 AUGUST 2020

		Ordinary Shares No. of Shares	%
1.	Dato' Mohd Azlan Hashim - direct and deemed interest*	170,454,226	23.55%
2.	Dato' Haji Razali bin Mohd Yusof - direct and deemed interest**	32,000,000	4.42%
3.	Nik Abdul Malik bin Nik Mohd Amin - direct interest***	2,400,000	0.33%
4.	Tai Keat Chai - deemed interest****	1,000,000	0.14%

Notes:

* Direct interest through RHB Capital Nominees (Tempatan) Sdn Bhd and deemed interests through Bijak Permai Sdn Bhd and Infra Bumitek Sdn Bhd.

** Direct and deemed interest through Titian Tegap Sdn Bhd.

*** Direct interest through Public Nominees (Tempatan) Sdn Bhd.

**** Deemed interest through the shares held by his spouse.

ANALYSIS OF SHAREHOLDINGS
AS AT 17 AUGUST 2020

	Number of shares	Total (RM)
Issued and paid up share capital	723,878,744	270,004,247
Class of shares	Ordinary Shares	
Voting rights	One vote per ordinary share	

(A) ORDINARY SHARES

Distribution of shareholdings

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares Held	% of Shareholdings
1 - 99	39	1.40%	1,200	0.00%
100 - 1,000	542	19.41%	446,935	0.06%
1,001 - 10,000	969	34.71%	5,861,339	0.81%
10,001 - 100,000	966	34.60%	37,304,700	5.15%
100,001 -36,193,936*	273	9.78%	355,923,786	49.17%
36,193,937 and above**	3	0.11%	324,340,784	44.81%
	2,792	100.00%	723,878,744	100.00%

* Less than 5% of issued shares
** 5% and above of the issued shares

ANALYSIS OF SHAREHOLDINGS
AS AT 17 AUGUST 2020

THIRTY LARGEST SHAREHOLDERS AS PER THE REGISTER OF DEPOSITORS

No.	Name of Shareholders	Name of Beneficial Owners	No. of Shares	%
1.	Abdul Rahman Bin Ali		192,781,751	26.63
2.	Bijak Permai Sdn Bhd		91,236,333	12.60
3.	Johan Zainuddin Bin Dzulkifli		40,322,700	5.57
4.	ABB Nominee (Tempatan) Sdn Bhd	Pledged Securities Account For Infra Bumitek Sdn Bhd	35,090,802	4.85
5.	Titian Tegap Sdn Bhd		30,000,000	4.14
6.	Infra Bumitek Sdn Bhd		24,464,624	3.38
7.	Mazlan bin Ismail		23,380,883	3.23
8.	Suasa Unggul Sdn Bhd		20,000,000	2.76
9.	RHB Capital Nominees (Tempatan) Sdn Bhd	Pledged Securities Account For Mohammed Azlan Bin Hashim	19,662,467	2.72
10.	CGS-CIMB Nominees (Tempatan) Sdn Bhd	Pledged Securities Account for Mohammed Amin bin Mahmud	11,347,100	1.57
11.	Nor Ashikin Binti Khamis		10,965,200	1.51
12.	EB Nominees (Tempatan) Sendirian Berhad	Pledged Securities Account For Tey Chee Thong (SFC)	10,500,000	1.45
13.	Tey Chee Thong		10,072,321	1.39
14.	Ong Lee Veng @ Ong Chuan Heng		7,678,800	1.06
15.	Tengku Uzir Bin Tengku Ubaidillah		6,462,600	0.89
16.	Tey Chee Thong		6,055,300	0.84
17.	Maybank Nominees (Tempatan) Sdn Bhd	Wee Seng Yeen	5,443,200	0.75
18.	A Talib bin Taib		4,123,100	0.57
19.	Chew Keng Kin		3,533,000	0.49
20.	Ong Wee Kuan		3,339,900	0.46
21.	Ng Ko Chee		3,000,000	0.41
22.	RHB Nominees (Tempatan) Sdn Bhd	Pledged Securities Account for Tey Suu Tain	2,993,900	0.41
23.	Tengku Uzir Bin Tengku Ubaidillah		2,902,300	0.40
24.	CGS-CIMB Nominees (Tempatan) Sdn Bhd	Pledged Securities Account for Koh Chong Hap (Penang-CL)	2,499,000	0.35
25.	MIDF Amanah Investment Nominees (Tempatan) Sdn. Bhd.	Pledged Securities Account for Intan Ainirawati Binti Abdul Razak	2,400,000	0.33
26.	Mohtar Bin Nong		2,400,000	0.33
27.	Public Nominees (Tempatan) Sdn. Bhd.	Pledges Securities for Nik Abdul Malik Bin Nik Mohd Amin	2,400,000	0.33
28.	Geo-Mobile Asia Sdn. Bhd.		2,150,000	0.30
29.	Loo Chee Lain		2,050,000	0.28
30.	Abdul Hamid Bin Sh Mohamed		2,000,000	0.28

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MARINE & GENERAL
BERHAD
Registration No. 199601033545 (405897-V)