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MARINE & GENERAL BERHAD (405897-V)

NEWS RELEASE (Draft)

MARINE & GENERAL REDUCES PRE-TAX LOSSES FOR PERIOD QUARTER ENDED 31 MARCH 2019.

KUALA LUMPUR, 27 May 2019 – Marine & General Berhad (“M&G” or “the Group”) announced its results for the period quarter ended 31 March 2019, reporting a revenue of RM 46.5 million, a 35.1% improvement compared to the RM 34.4 million revenue reported in the previous corresponding quarter. The improved revenue performance for this period quarter has enabled the Group to record a lower consolidated loss before tax of RM 15.3 million, compared to the RM 27.2 million pre-tax loss recorded in the previous corresponding quarter.

On 27 December 2018, the Group had announced a change in its financial year end from 31 December to 30 April. Accordingly, the current full financial period will cover a period of 16-months from January 2018 to April 2019. The Group’s revenue performance on a 15-month period-to-date (“PTD”) stands at RM 216.5 million. During this 15-month period, the Group recorded a cumulative pre-tax loss of RM 77.7 million.

Marine Logistics – Upstream Division

The Marine Logistics – Upstream Division’s recorded a revenue performance of RM 35.3 million for the current period quarter, a 34% improvement compared to the RM 26.3 million revenue recorded in the previous corresponding quarter. The improvement in revenue is in line with improved fleet utilization during the period quarter of 65% compared to 47% in the previous corresponding quarter. The improvement in revenue as well as lower depreciation charges has allowed the Upstream Division to reduce its’ pre-tax losses for the current period quarter to RM



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14.5 million. This is a 52.1% improvement from the RM 30.3 million pre-tax loss recorded during the previous corresponding quarter.

The Upstream Division recorded revenue of RM 167 million for the 15-month PTD. This is in line with the 62% utilization rate recorded for the 15-month period. During this 15-month period, the Division recorded a cumulative pre-tax loss of RM 84.4 million.

Marine Logistics – Downstream Division

The Marine Logistics – Downstream Division's recorded a revenue of RM 11.3 million for the current period quarter, a 38.6% improvement compared to the RM 8.1 million recorded in the previous corresponding quarter. The improvement in revenue is in line with the deployment of two (2) new vessels on bareboat and voyage charters during 2018. Notwithstanding this, the Downstream Division recorded a pre-tax loss of RM 0.5 million during the current period quarter compared to a pre-tax loss of RM 0.3 million in the preceding corresponding quarter. This is mainly attributable to additional maintenance, repairs, fuel costs and port charges arising from the annual calibration of machineries and initial deployment of one tanker under voyage charter. Operationally, the Marine Logistics – Downstream Division recorded a utilization rate of 91.6% during the current period quarter. This is a slight decline compared to the full utilization recorded in the previous corresponding quarter.

The Downstream Division recorded revenue of RM 49.6 million for the 15-month PTD. This is in line with the 91.8% utilization rate recorded for the 15-month period. During this 15-month period, the Division recorded a cumulative pre-tax profit of RM 2.7 million.

Concluding remarks

Dato' Mohd Azlan commented, " The decline in oil price which started in mid-2014 has had a direct and adverse impact on the offshore support vessel industry. Consequently, JMM's vessel utilisation fell from an average of 88% in 2014 to an



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average of 51% and 48% for 2016 and 2017 respectively. Furthermore, the Daily Charter Rate (DCR) for its vessels also fell by approximately 38% from 2014. The combination of low utilisation and charter rates has had an adverse impact on revenue. Utilisation rates for 2018 have marginally improved to over 60 % and the Group expects that this trend will continue going forward."

"Throughout 2018 up to now, JMM was awarded a total of eight (8) new long-term contracts for three (3) years and two (2) contract extension of one (1) year to provide ten (10) vessels. JMM is continuing with efforts to secure additional charters going forward to improve utilization. Nevertheless, the Board remains cautious of the prospects for this Division amidst the continuing soft charter rates," clarified Dato' Mohd Azlan.

"With respect to the Marine Logistics - Downstream Division, demand for the Marine Logistics - Downstream Division's liquid bulk carriers have been fairly robust, mirroring the demand for clean petroleum products. During the year, the Division has added three (3) new product tankers to its existing fleet of three (3) chemical tankers, varying the type of tankers it is able to offer and simultaneously doubling its total number of tankers to six (6). Given the continued robust demand for liquid bulk carriers, the addition of the three (3) vessels to the fleet, funded through internal funds, is expected to contribute positively to the Downstream Division going forward. The Group is of the opinion that there is further growth opportunities within this segment and will continuously be evaluating opportunities for additional investment in the future. This however, will only be undertaken after a thorough assessment of the projected long-term returns and the available resources," added Dato' Mohd Azlan.

"Moving forward, the focus will continue to be on streamlining the operations at both Divisions to ensure that they are able to be competitive in the long run. The Board is fully aware of the challenges but remains confident in the medium to long-term prospects of both operating divisions," concluded Dato' Mohd Azlan.



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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 SILK Holdings Berhad on 31 October 2008. It assumed its current name on 28 June 2017 after the successful completion of the disposal of the Company’s highway assets.

The Company acquired AQL Aman Sdn Bhd, the holding company of the 70% owned Jasa Merin (Malaysia) Sdn Bhd (“JMM”), as part of its successful regularisation scheme completed on 14 October 2009. The Terengganu State Government holds the remaining 30% of JMM via Terengganu Incorporated Sdn Bhd.

JMM was incorporated in December 1980 as Jackson Marine (Malaysia) Sdn Bhd. It commenced operations in October 1982. In 1986, the company name was subsequently changed to its present name. JMM heads the Company’s Marine Logistics - Upstream Division. 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.

The Company also owns Jasa Merin Labuan PLC (“JML”). JML is part of the Company’s Marine Logistics - Downstream Division. It charters out liquid bulk carriers (“LBC”) to the petro-chemical and oleo-chemical industries, whereby the vessels are used to transport liquid bulk products in the region.



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Forward looking statements

This release may contain certain forward-looking statements with respect to the financial conditions, results of operations and business of the Group and certain plans and objectives of Marine & General Berhad with respect to these items. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future and there are many factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements.

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