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MARINE & GENERAL
BERHAD

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NEWS RELEASE (Final)

MARINE & GENERAL BHD SUCCESSFULLY CONCLUDES ITS 23rd ANNUAL GENERAL MEETING

KUALA LUMPUR, 12 October 2020 – Marine & General Berhad ("M&G" or "the Company") successfully concluded it's 23rd Annual General Meetings ("AGM") today, where all six (6) ordinary resolutions presented for consideration were approved by shareholders.

Shareholders briefed on M&G Group's debt restructuring

At the AGM, M&G provided a recap to shareholders that it held an Extraordinary General Meeting ("EGM") on 31 December 2019 to present a set of proposals to facilitate the debt restructuring of M&G's 70% owned subsidiary, Jasa Merin (Malaysia) Sdn Bhd ("JMM"), wherein a total of three (3) resolutions to give effect to the debt restructuring were presented for consideration. It was further reminded that after an explanation from the Company, the shareholders approved all resolutions proposed at that EGM.

The shareholders were subsequently briefed that JMM has subsequently obtained all the necessary approvals pertaining to the debt restructuring and completed the requisite debt restructuring processes on 13 August 2020. It was further explained that through this restructuring, JMM's borrowings are now on terms that are more sustainable in the face of the challenging period in the oil and gas industry. The restructuring, although undertaken before 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.

Shareholders briefed on M&G Group's performance

Shareholders were then briefed on the financial performance of the Group. It was explained that the M&G Group posted consolidated revenue of RM 213.6 million for the financial year ended 30 April 2020. It was further clarified that the results represented a reduction in performance of 8% compared to the previous 16-month ended 30 April 2019. M&G went on to explain that on an annualized basis, the revenue recorded for the financial year ended 2020 was a 22% increase over the previous period, mainly driven by higher charter activities at the Upstream Division.

The shareholders were then briefed that direct expenses decreased by RM 13 million or 6% from RM 224.4 million in the preceding period to RM 211.3 million during the current financial year. It was clarified that 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 has positively impacted the Group as net finance cost was reduced to RM47.8 million for the current financial year from RM78.6 million recorded in the preceding financial period.

It was further explained that in line with the higher demand for the offshore support vessels ("OSV") during the financial 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 financial year as compared to RM108.1 million in the previous 16-month period.

Following the briefing on financial performance, shareholders were briefed on the operating conditions faced by both the Upstream and Downstream Divisions of the M&G Group.

The shareholders were informed that during the financial year under review, vessel utilisation at the Upstream Division experienced some improvements as oil companies resumed their exploration and drilling activities. Vessel utilisation was approximately 70%, a minor increase from the 62% utilisation level recorded in the previous year. However, it was further explained, Daily Charter Rate ("DCR") remained low as oil prices have yet to fully recover and due to oil companies' ongoing cost control measures. The shareholders were also informed that as a result of the recent market disruptions brought about by the COVID-19 pandemic, recovery in DCR will take more time.

The shareholders were subsequently briefed on the operations of the Downstream Division during the financial year. It was explained that the Division had 5 vessels in operation during the financial year, with another delivered in January 2020, but 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. 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. The shareholders were further briefed that charter rates for both Chemical and Clean Petroleum Product ("CPP") tankers remained relatively stable during the year.

Shareholders briefed on prospects going forward

With regard to the prospects of the M&G Group going forward, it was explained that the prospects for the Upstream Division are dependent on an increase in exploration and drilling activities. 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. As approximately 40% of the

Division's OSV fleet is primarily involved in the exploration and drilling segment, it is expected that fleet utilisation for the Division to be lower in the 2020/2021 financial year. Exploration and drilling activities are expected to pick up again by the second quarter of 2021.

With regards to the prospects for the Downstream Division, shareholders were briefed that demand for Chemical and CPP tankers will be dependant on continued demand for petroleum products. The economic impact arising out of the COVID-19 pandemic and the economic and financial countermeasures taken by affected countries will therefore have a significant effect on overall demand going forward. In the ASEAN market, in which the Division's medium-size tankers mainly operate in, the lower market demand may lead to petroleum products being traded in smaller cargo parcels. This is well suited for the Group's medium-sized vessels and may result in a more stable demand for the Division's tankers.

Concluding remarks

Speaking at the end of the AGM, the Company's Executive Chairman, Dato' Mohd Azlan Hashim said, "The Company is pleased with the outcome of today's AGM. It was a good turnout and the Company got a good opportunity to explain its performance for the financial period ended 30 April 2020. The Company is pleased with the positive response from shareholders to the briefing provided. I sincerely hope that the Company's shareholders will continue to support the Board in its objective to take the Company forward."

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"), spearheaded by two (2) ship owning companies ("SOCs"), namely Jasa Merin (Labuan) PLC ("JML") and 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, whereby the vessels are used to transport liquid bulk products.

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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