THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to the course of action to be taken, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

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MARINE & GENERAL BERHAD

((Company No. 199601033545 (405897-V))
(Incorporated in Malaysia)

CIRCULAR TO SHAREHOLDERS IN RELATION TO

PART A

(I) PROPOSED ISSUANCE OF 1.5 BILLION NEW ORDINARY SHARES IN MARINE & GENERAL BERHAD ("M&G") ("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") ("PROPOSED ISSUANCE"); AND

(II) PROPOSED SUBSCRIPTION OF UP TO 150.0 MILLION NEW CUMULATIVE NON-CONVERTIBLE REDEEMABLE PREFERENCE SHARES ("CN-RPS") IN JMM FOR A TOTAL SUBSCRIPTION OF RM150.0 MILLION ("PROPOSED SUBSCRIPTION")

(COLLECTIVELY REFERRED TO AS THE "PROPOSALS")

PART B

INDEPENDENT ADVICE LETTER TO THE NON-INTERESTED DIRECTORS AND NON-INTERESTED SHAREHOLDERS OF M&G IN RELATION TO THE PROPOSED ISSUANCE

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Principal Adviser for Part A

midf INVESTMENT

MIDF AMANAH INVESTMENT BANK BERHAD
(Company No. 197501002077 (23878-X))

Independent Adviser for Part B

Mercury Securities Sdn Bhd
(Company No. 198401000672 (113193-W))
(A Participating Organisation of Bursa Malaysia Securities Berhad)

The Notice of Extraordinary General Meeting ("**EGM**") together with the Form of Proxy are enclosed.

You may appoint a proxy or proxies to attend and vote on your behalf. If you wish to do so, you must complete, sign and deposit the enclosed Form of Proxy for the EGM in accordance with the instructions contained therein, at the registered office of M&G at Level 22, Axiata Tower, No. 9, Jalan Stesen Sentral 5, Kuala Lumpur Sentral, 50470 Kuala Lumpur not less than 24 hours before the time appointed for taking the poll for the EGM or at any adjournment thereof. The lodging of the Form of Proxy for the EGM will not preclude you from attending and voting in person at the EGM should you subsequently decide to do so.

Date and time of EGM	:	Tuesday, 31 December 2019 at 10.00am, or at any adjournment thereof
Venue of EGM	:	Dewan Berjaya, Bukit Kiara Equestrian & Country Resort, Jalan Bukit Kiara, Off Jalan Damansara, 60000 Kuala Lumpur
Last day and time for lodging of the Form of Proxy for the EGM	:	Monday, 30 December 2019 at 10.00am

This Circular is dated 16 December 2019

DEFINITIONS

For the purpose of this Circular, except where the context otherwise requires, the following definitions shall apply:

ABB	:	Affin Bank Berhad (Company No. 197501003274 (25046-T))
Act	:	Companies Act, 2016
Agreements	:	Collectively, separate agreements entered into by JMM, JMG 3 and JMG 4 with the Banks on 27 November 2019 in relation to the Proposed Debt Restructuring as follows: (i) Facilities agreement between JMM and ABB; (ii) Master facility agreement between JMM and MIB; (iii) Settlement agreement between JMM and BPMB; (iv) Facility agreement between JMG 3 and BPMB; and (v) Facility agreement between JMG 4 and BPMB.
AHTS	:	Anchor handling tug supply
Amount Owing	:	Amount owing by JMM to M&G amounting to RM94.4 million as at the LPD
ARA	:	Abdul Rahman bin Ali
AQL	:	AQL Aman Sdn Bhd ((Company No. 200201028841(596504-H))
Banks	:	Collectively, ABB, MIB and BPMB
Board	:	Board of directors of M&G
BPMB	:	Bank Pembangunan Malaysia Berhad (Company No. 197301003074 (16562-K))
Bursa Securities	:	Bursa Malaysia Securities Berhad (Company No. 200301033577 (635998-W))
Business Day	:	A day, excluding Saturdays, Sundays and public holidays, on which Bursa Securities is open for trading in securities and commercial banks are open for regular banking business
Cash Subscription	:	Cash subscription by M&G to JMM amounting to RM55.6 million to partially satisfy the Proposed Subscription
Circular	:	This circular dated 16 December 2019 in relation to the Proposals
CDRC	:	Corporate Debt Restructuring Committee of Bank Negara Malaysia
CN-RPS	:	New cumulative non-convertible redeemable preference shares of RM1.00 each in JMM
Cut-Off Date	:	31 December 2018, being the cut-off date for the Proposed Debt Restructuring
DMA	:	Dato' Mohd Azlan bin Hashim
DCR	:	Daily charter rate
EGM	:	Extraordinary General Meeting
EPS	:	Earnings per share
FPE	:	Financial period ended
FYE	:	Financial year ended
IAL	:	Independent advice letter to the non-interested directors and shareholders of the Company in relation to the Proposed Issuance
Issue Price	:	Issue price of RM0.10 per M&G Share

JMG 3	:	JM Global 3 (Labuan) PLC (Company No. LL06542)
JMG 4	:	JM Global 4 (Labuan) PLC (Company No. LL06549)
JMM	:	Jasa Merin (Malaysia) Sdn Bhd (Company No. 198001002390 (56173-U))
JMM Group	:	JMM and its subsidiaries
JMM PS	:	Irredeemable preference shares of RM1.00 each in JMM
JMM PS Holders	:	Holders of the JMM PS
LPD	:	12 December 2019, being the latest practicable date prior to the printing of this Circular
LTD	:	26 November 2019, being the last trading day prior to the signing of the Agreements
M&G or Company	:	Marine & General Berhad (Company No. 199601033545 (405897-V))
M&G Group	:	M&G and its subsidiaries
M&G Shares	:	Ordinary shares in M&G
Mercury Securities or Independent Adviser	:	Mercury Securities Sdn Bhd (Company No. 198401000672 (113193-W))
MIB	:	Maybank Islamic Berhad (Company No. 200701029411 (787435-M))
MIDF Investment or Principal Adviser	:	MIDF Amanah Investment Bank Berhad (Company No. 197501002077 (23878-X))
MMLR	:	Main Market Listing Requirements of Bursa Securities
NA	:	Net assets
OSV	:	Offshore support vessel
Outstanding Amounts	:	Outstanding facilities of JMM and its subsidiaries amounting to RM923.2 million as at the Cut Off Date
PAT	:	Profit after tax
PE	:	Price-to-earnings
Promoters	:	Collectively, ARA and DMA
Proposals	:	Collectively, Proposed Issuance and Proposed Subscription
Proposed Debt Restructuring	:	Proposed restructuring of the Outstanding Amounts by JMM and its subsidiaries to the Banks by way of a TF
Proposed Issuance	:	Proposed issuance of 1.5 billion new M&G Shares at the Issue Price amounting to RM150.0 million upon the surrender of 150.0 million JMM PS by the JMM PS Holders
Proposed Issuance of JMM PS	:	Proposed issuance of 150.0 million JMM PS to the Banks for a total sum of RM150.0 million to be issued as part of the Proposed Debt Restructuring
Proposed Subscription	:	Proposed subscription of up to 150.0 million new CN-RPS in JMM for a total subscription of RM150.0 million
Public Spread Requirement	:	Paragraph 8.02(1) of the MMLR which states that a listed issuer must ensure that at least 25% of its total listed shares (excluding treasury shares) or listed units are in the hands of public shareholders or unit holders
SSV	:	Straight supply vessels
TF	:	Term financing

Upfront Payment	:	Upfront cash repayment to the Banks amounting to RM50.0 million
VWAMP	:	Volume weighted average market price
CURRENCIES		
RM	:	Ringgit Malaysia and sen, respectively

Words denoting the singular shall, where applicable, include the plural and vice versa and words denoting the masculine gender shall, where applicable, include the feminine and/or neuter genders and vice versa. Reference to persons shall include corporations.

Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any reference to a time of day in this Circular shall be a reference to Malaysian time, unless otherwise stated.

References to "we", "us", "our" and "ourselves" are to the Company save where the context otherwise required, include our subsidiaries and references to "you" or "your" are to the shareholders of the Company.

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PART A

LETTER TO THE SHAREHOLDERS OF M&G IN RELATION TO THE PROPOSALS

MARINE & GENERAL
BERHAD

(Company No. 199601033545 (405897-V))
(Incorporated in Malaysia)

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

16 December 2019

Board of Directors

Dato' Mohd Azlan bin Hashim (Executive Chairman, Non-Independent Executive Director)
Tan Sri Datuk Seri Razman M Hashim (Deputy Chairman, Independent Non-Executive Director)
Tai Keat Chai (Non-Independent Non-Executive Director)
Dato' Harun bin Md Idris (Independent Non-Executive Director)
Dato' Haji Razali bin Mohd Yusof (Independent Non-Executive Director)
Shariffuddin bin Khalid (Independent Non-Executive Director)
Datin Shelina binti Razaly Wahi (Independent Non-Executive Director)
Nik Abdul Malik bin Nik Mohd Amin (Non-Independent Non-Executive Director)

To: Shareholders of M&G

Dear Sir/Madam,

(I) PROPOSED ISSUANCE; AND

(II) PROPOSED SUBSCRIPTION

(COLLECTIVELY REFERRED TO AS THE "PROPOSALS")

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1. INTRODUCTION

On 27 November 2019, MIDF Investment had, on behalf of our Board, announced that the Company's 70%-owned subsidiary, JMM and its subsidiaries namely JMG 3 and JMG 4, have on even date entered into the Agreements to restructure the outstanding facilities by JMM and its subsidiaries to the Banks of RM923.2 million as at the Cut-Off Date.

The Proposed Debt Restructuring entails amongst others the proposed issuance of 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 1 RM1.00 nominal value JMM PS to 10 M&G Shares. Further information on the Proposed Debt Restructuring and the salient terms of the JMM PS are set out in Section 2 and Section 2.3, Part A of this Circular respectively.

Arising therefrom, the Company is proposing 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 is also proposing to undertake the proposed subscription of up to 150.0 million new CN-RPS in JMM for a total subscription of RM150.0 million.

On 3 December 2019, MIDF Investment, on behalf of our Board, announced that the additional listing application for the issuance of the new M&G Shares to be issued pursuant to the Proposed Issuance on the Main Market of Bursa Securities as well as the draft Circular to shareholders in relation to the Proposals were submitted to Bursa Securities.

On 13 December 2019, MIDF Investment had, on behalf of our Board, announced that Bursa Securities had vide its letter dated 13 December 2019, approved the listing of and quotation for the 1.5 billion new M&G Shares on the Main Market of Bursa Securities, subject to the conditions as disclosed in Section 13, Part A of this Circular.

The Proposed Issuance is deemed as a related party transaction pursuant to paragraph 10.08(4) of the MMLR. Accordingly, on 31 July 2019, our Board appointed Mercury Securities as the Independent Adviser to advise the non-interested directors and non-interested shareholders on the Proposed Issuance.

The purpose of Part A of this Circular is to provide you with details of the Proposals as well as to set out the recommendation of our Board and to seek your approval for the resolutions pertaining to the Proposals to be tabled at the forthcoming EGM. The notice of the EGM and the Form of Proxy are enclosed in this Circular.

You are advised to carefully read the contents of this Circular (including the independent advice letter from Mercury Securities set out in Part B of this Circular) together with the appendices before voting on the resolutions pertaining to the Proposals to be tabled at the forthcoming EGM.

2. DETAILS OF THE PROPOSED DEBT RESTRUCTURING

On 6 February 2018, the Company announced that JMM has received approval from the CDRC for JMM's application for assistance to mediate between JMM and some of its subsidiaries with its financiers.

Pursuant thereto, JMM and its subsidiaries are proposing to undertake the Proposed Debt Restructuring, which will involve the restructuring of the Outstanding Amounts as follows:

(i) Upfront Payment to the Banks amounting to RM50.0 million;

(ii) settlement of part of the Outstanding Amounts amounting to RM150.0 million via the Proposed Issuance of JMM PS; and

(iii) granting to JMM, JMG 3 and JMG 4 additional time to settle the balance Outstanding Amounts of RM723.2 million by way of a TF.

The repayment, settlement and restructuring of the Outstanding Amounts are summarised as follows:

	ABB RM'000	MIB RM'000	BPMB RM'000	Total RM'000
Upfront Payment	21,242	15,236	13,522	50,000
Proposed Issuance of JMM PS	63,726	45,707	40,567	150,000
TF	307,254	220,374	195,593	723,221
Total JMM's borrowings	**392,222**	**281,317**	**249,682**	**923,221**

Upon completion of the Upfront Payment to the Banks and the Proposed Issuance of JMM PS, RM200.0 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 RM723.2 million shall be settled in accordance with the terms and conditions agreed upon between JMM, JMG 3, JMG 4 and the Banks.

The salient terms of the TF in respect of each of the Banks are set out in Section 2.1, Part A of this Circular.

2.1 Salient Terms in the Agreements

2.1.1 Conditions Precedent in the Agreements

The completion of the Agreements is conditional upon inter alia:

(i) the members' resolution of JMM approving the Proposed Issuance of JMM PS to the Banks;

(ii) the Company shareholders' approval in an EGM to be convened for:

(a) the acquisition of the JMM PS from the Promoters upon the exercise of the call option, details of which are set out in Section 2.4, Part A of this Circular;

(b) issuance of the new M&G Shares in exchange for the JMM PS;

(iii) approval from Bursa Securities for the listing of the new M&G Shares;

(iv) issuance of the JMM PS and receipt by the Banks of the certificate of shares for the JMM PS; and

(v) JMM, JMG 3 and JMG 4 having made the Upfront Payment to the Banks.

The other salient terms of the Agreements with the Banks are as set out in the ensuing sections.

2.1.2 Salient terms in the Facilities agreement between JMM and ABB

(i) The interest rate is the Cost of Funds plus 1.0% per annum.

(ii) The maximum interest rate is 5.5% per annum.

(iii) The tenure of the facility is 10 years (including a grace period of 12 months).

2.1.3 Salient terms in the Master facility agreement between JMM and MIB

(i) The profit rate is the Islamic Cost of Funds plus 1.0% per annum.

(ii) The maximum profit rate is 5.5% per annum.

(iii) The tenure of the facility is up to a maximum period of 10 years (including a moratorium period of 12 months).

2.1.4 Salient terms in the Settlement agreement between JMM and BPMB

(i) Until 28 November 2025, the interest rate is 4.9% per annum.

(ii) Thereafter, the interest rate is the Cost of Funds plus 0.05% per annum.

(iii) The ceiling interest rate is 5.5% per annum.

(iv) The tenure of the facility is up to a maximum period of 15.5 years (including a grace period of 12 months).

(v) It is intended that this facility shall be converted into a Tawarruq Commodity Murabahah Term Financing-i Facility.

2.1.5 Salient terms in the Facility agreement between JMG 3 and BPMB

(i) The effective profit rate is the Cost of Funds plus 0.05% per annum.

(ii) The ceiling profit rate is 5.5% per annum.

(iii) The tenure of the facility is 11 years.

2.1.6 Salient terms in the Facility agreement between JMG 4 and BPMB

(i) The effective profit rate is the Cost of Funds plus 0.05% per annum.

(ii) The ceiling profit rate is 5.5% per annum.

(iii) The tenure of the facility is 11 years.

2.2 Proposed Issuance of JMM PS

The Proposed Issuance of JMM PS will involve the settlement of RM150.0 million of the Outstanding Amounts via the issuance of 150.0 million JMM PS at the nominal value of RM1.00 to the Banks.

The JMM PS shall be issued at 100% of its nominal value of RM1.00 each and shall be transferable. For the avoidance of doubt, the JMM PS will not be listed and quoted on Bursa Securities. The JMM PS Holders shall have the right to exchange the JMM PS into M&G Shares at the Issue Price at any time upon the issuance of the JMM PS. At the 10th anniversary of the issue date of the JMM PS, the JMM PS will be automatically surrendered to M&G in exchange for new M&G Shares at the exchange price of RM0.10 per M&G Share.

Based on the Issue Price, a total of 1.5 billion new M&G Shares would be issued to the JMM PS Holders.

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2.3 Indicative Principal Terms of JMM PS

The indicative principal terms of the JMM PS are set out below:

Terms	Description
Issuer	JMM
Issue Size	RM150.0 million nominal value JMM PS to be issued as part of the Proposed Debt Restructuring
Issue Price	RM1.00 for each JMM PS ("**PS Issue Price**")
Form & Denomination	The JMM PS shall be issued in registered form and in denomination of multiples of RM1.00 each.
Listing	The JMM PS will not be listed on any stock exchange. However, the M&G Shares to be issued to the JMM PS Holders in exchange for the JMM PS will be listed on Bursa Securities.
Redemption	The JMM PS is irredeemable in nature.
Dividend	The JMM PS shall confer on the JMM PS Holders to a non-cumulative dividend at a rate to be determined by the Board of Directors of JMM, based on the capital for the time being paid up or credited as paid up on the JMM PS to be paid, subject to availability of distributable profits and applicable laws, provided always that the TF shall have been fully satisfied by JMM and its subsidiaries.
Voting rights	JMM PS shall not carry any right to vote at any general meeting of JMM except for the right to vote in person or by proxy or by attorney at such meeting as a separate class in each of the following circumstances: (a) on a proposal that affects the rights attached to the JMM PS, including but not limited to a proposal to reduce the dividend payable, to alter the priority of payment in any distribution of assets in the event of liquidation, dissolution or winding-up of JMM or to issue further preference shares ranking pari passu or in priority to the JMM PS (other than the CN-RPS); (b) on a proposal to wind up JMM; and (c) during the winding-up of JMM.

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Terms	Description
Rights in the event of winding-up, liquidation, compromise and/or arrangement	The JMM PS shall rank in priority to the ordinary shares of JMM in any distribution of assets in the event of liquidation, dissolution or winding-up of JMM. In the event of liquidation, dissolution or winding-up of JMM, the surplus assets and profits that may be legally distributable to JMM's shareholders shall be distributed to the shareholders in the following order: (a) the JMM PS Holder shall be entitled to be paid, in priority to the holders of CN-RPS and holders of ordinary shares of JMM, any dividend in respect of the JMM PS; (b) the JMM PS Holder shall be paid in priority to the holders of CN-RPS and holders of the ordinary shares in JMM, the PS Issue Price, for each such JMM PS; if there are surplus assets and profits after the payment or distribution to the holders of CN-RPS and the JMM PS Holder as set out in sub-paragraphs (a) and (b) above, then all such remaining surplus assets shall be distributed amongst the holders of the ordinary shares of JMM.
Rights to exchange	The JMM PS Holders may at any time exchange the JMM PS into such number of new M&G Shares at the exchange price of RM0.10 per M&G Share*(1)*.
Exchangeable period ("Exchangeable Period")	Ten (10) years expiring on the 10th anniversary of the issue date of the JMM PS ("**Final Exchange Date**"). During this period, the JMM PS is exchangeable at any time into fully paid new M&G Shares.
Automatic exchange	Any remaining JMM PS held by a JMM PS Holder on the Final Exchange Date shall be exchanged into new M&G Shares automatically at the exchange price of RM0.10 per M&G Share on the Final Exchange Date.
Exchangeable rate	RM1.00 nominal value of the JMM PS for such number of new M&G Shares representing an equivalent value based on the exchange price of RM0.10 per M&G Share.
Ranking of the new M&G Shares arising from the Exchange	The M&G Shares to be issued pursuant to the exchange of the JMM PS will upon allotment and issue, rank pari passu in all respects with the existing M&G Shares in issue except that they will not be entitled to any dividends, rights, allotment and/or other distributions that may be declared, made or paid, the entitlement date of which is prior to the date of allotment and issuance of the new M&G Shares.
Governing law	The JMM PS will be governed under the laws of Malaysia.

Note:

(1) *Notwithstanding the terms of the JMM PS, the Banks have undertaken, pursuant to the Call Option Agreements (as defined in Section 2.4, Part A of this Circular), not to exercise their rights to exchange the JMM PS held by them for new M&G Shares until the Outstanding Amounts have been fully settled.*

2.4 Details of the Call Option

To facilitate the Proposed Debt Restructuring, the Promoters have agreed with the Banks that for so long as the TF is made available to JMM, JMG 3 and JMG 4, they shall (a) respectively maintain their direct and indirect shareholdings in M&G as at the date of execution of the letter of undertaking in favour of the respective Banks; and (b) collectively continue to retain significant influence in M&G, ie. the power (directly or indirectly) to direct or cause the direction of the management or policies of M&G, and the largest single block of shares in the total issued share capital of M&G. Pursuant thereto, the respective Banks will enter into separate call option agreement with each Promoter ("**Call Option Agreements**") granting the Promoters the option to purchase the JMM PS ("**Call Option**"). The rights under the Call Option Agreements may be transferred or assigned (in whole or in part) by the Promoters subject to giving prior notice to the Banks.

In the event the Call Option is not exercised in full, any remaining JMM PS held by the Banks on the Final Exchange Date shall be exchanged into new M&G Shares automatically at the exchange price of RM0.10 per M&G Share on the Final Exchange Date. After the exchange, the Banks may dispose of the new M&G Shares.

The indicative terms of the Call Option are summarised below:

<table>
<tr><th>Terms</th><th>Description</th></tr>
<tr><td>JMM PS</td><td>Up to 150,000,000 JMM PS at the nominal value of RM1.00 each to be issued to the Banks pursuant to the Proposed Debt Restructuring</td></tr>
<tr><td>Grantor</td><td>Collectively, ABB, MIB and BPMB</td></tr>
<tr><td>Grantee</td><td>The Promoters</td></tr>
<tr><td>Call Option</td><td>Each of the Promoters shall have the option to acquire such number of JMM PS under the Call Option Agreements from each Bank calculated on a pro-rata basis according to each Bank's percentage of the total number of JMM PS beneficially owned by such Bank at the time the Call Option is exercised by the relevant Promoter.</td></tr>
<tr><td>Exercise price</td><td>
<table>
<tr><th>Date of exercise of the Call Option</th><th>Exercise price per Option Share</th></tr>
<tr><td>From the date the JMM PS are issued to the Banks ("Commencement Date") to the end of the third year from the Commencement Date.</td><td>RM1.00</td></tr>
<tr><td>From the third anniversary of the Commencement Date to the end of the fifth year from the Commencement Date.</td><td>RM1.10</td></tr>
<tr><td>From the fifth anniversary of the Commencement Date to the end of the seventh year from the Commencement Date.</td><td>RM1.20</td></tr>
<tr><td>From the seventh anniversary of the Commencement Date to the end of the ninth year from the Commencement Date.</td><td>RM1.30</td></tr>
<tr><td>From the ninth anniversary of the Commencement Date to the end of the tenth year from the Commencement Date.</td><td>RM1.40</td></tr>
</table>
</td></tr>
</table>

Terms	Description
Option period	10 years commencing from the issue date of the JMM PS to the respective Banks

Further, subject to the rights of the JMM PS Holder to an automatic right to exchange the JMM PS to new M&G Shares on the Final Exchange Date, the Banks will undertake not to exercise their rights to exchange the JMM PS held by them for new M&G Shares until the Outstanding Amounts have been fully settled.

3. DETAILS OF THE PROPOSED ISSUANCE

The Proposed Issuance, which is integral to the Proposed Debt Restructuring, entails M&G issuing a total of 1.5 billion new M&G Shares at the Issue Price when the JMM PS Holders present and surrender to M&G 150.0 million JMM PS.

Pursuant to the indicative principal terms of the JMM PS set out in Section 2.3 above, the JMM PS Holders may at any time during the Exchangeable Period present and surrender to M&G the JMM PS in exchange for such number of new M&G Shares at the Issue Price.

Further, pursuant to the Call Option Agreements to be entered into by the Promoters and each of the Banks, the Promoters will be given the option to acquire such number of JMM PS under the Call Option Agreements from each Bank calculated on a pro-rata basis according to each Bank's percentage of the total number of JMM PS beneficially owned by such Bank at the time the Call Option is exercised by the relevant Promoter.

In the event the Promoters exercise the Call Option and subsequently present and surrender the JMM PS to M&G, new M&G Shares will be issued to the Promoters. As such, the Proposed Issuance is deemed a related party transaction.

Hence, the Company has appointed an Independent Adviser to opine on the Proposed Issuance.

3.1 Basis and justification for the Issue Price

The Issue Price was determined based on the closing price of M&G Shares for the 1-month period prior to and including the Cut-Off Date, which ranges from RM0.06 per M&G Share to RM0.07 per M&G Share.

The Issue Price represents:

(i) a premium of RM0.04 or 66.7% over the 5-day VWAMP of M&G Shares up to and including the Cut-Off Date of RM0.06 per M&G Share;

(ii) a premium of RM0.04 or 66.7% over the 1-month VWAMP of M&G Shares up to and including the Cut-Off Date of RM0.06 per M&G Share;

(iii) a premium of RM0.03 or 42.9% over the 5-day VWAMP of M&G Shares up to and including the LTD of RM0.07 per M&G Share; and

(iv) a premium of RM0.03 or 42.9% over the 1-month VWAMP of M&G Shares up to and including the LTD of RM0.07 per M&G Share.

The Board is of the view that the Proposed Issuance is appropriate as it will facilitate the Proposed Debt Restructuring undertaken by JMM and its subsidiaries, which will enable the M&G Group to conserve its existing financial resources to fund the growth of its existing businesses. In addition, the enlarged capital base of M&G after the exchange of the JMM PS into M&G Shares will strengthen the financial position of M&G and therefore, increase the likelihood of successfully obtaining debt financing in the future.

3.2 Ranking of the new M&G Shares

The new M&G Shares shall, upon allotment and issuance, rank pari passu in all respects with the then existing M&G Shares save and except that the new M&G Shares shall not be entitled to any dividends, rights, allotment and/or other distributions, the entitlement date of which is prior to the date of allotment and issuance of the new M&G Shares.

3.3 Listing of the Consideration Shares

The approval of Bursa Securities for the listing of and quotation for the new M&G Shares on the Main Market of Bursa Securities was obtained on 13 December 2019.

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4. DETAILS OF THE PROPOSED SUBSCRIPTION

In addition to the Proposed Debt Restructuring, M&G intends to subscribe up to RM150.0 million CN-RPS at the nominal value of RM1.00 in JMM for a total consideration of RM150.0 million. The indicative salient terms of the CN-RPS is set out in the ensuing section.

4.1 Indicative salient terms of the CN-RPS

Terms	Description
Issuer	JMM
Issue Size	Up to RM150.0 million nominal value CN-RPS to be issued
Issue Price	RM1.00 for each CN-RPS ("**CN-RPS Issue Price**")
Form & Denomination	The CN-RPS shall be issued in registered form and in denomination of multiples of RM1.00 each.
Listing	The CN-RPS will not be listed on any stock exchange
Redemption	JMM shall have the right to redeem the CN-RPS at any time, in whole or in part at the CN-RPS Issue Price provided always that the TF shall have been fully satisfied by JMM and its subsidiaries.
Voting rights	The CN-RPS shall not carry any right to vote at any general meeting of JMM except for the right to vote in person or by proxy or by attorney at such meeting as a separate class in each of the following circumstances: (a) on a proposal that affects the rights attached to the CN-RPS, including but not limited to a proposal to reduce the dividend payable, to alter the priority of payment in any distribution of assets in the event of liquidation, dissolution or winding-up of JMM or to issue further preference shares ranking pari passu or in priority to the CN-RPS (other than the JMM PS); (b) on a proposal to wind up JMM; and (c) during the winding-up of JMM.
Rights of the CN-RPS holders in the event of winding-up, liquidation, compromise and or arrangement	(a) The JMM PS shall rank in priority to the CN-RPS and the ordinary shares of JMM in any distribution of assets in the event of liquidation, dissolution or winding-up of JMM. (b) The CN-RPS shall rank in priority to the ordinary shares of JMM in any distribution of assets in the event of liquidation, dissolution or winding-up of JMM. (c) JMM shall not pay or distribute any amount or assets in the event of liquidation, dissolution or winding-up of JMM unless the JMM PS Holders then outstanding shall first receive, or simultaneously receive any and all outstanding amount then due and payable in respect of the JMM PS. (d) In particular, in the event of liquidation, dissolution or winding-up of JMM, the surplus assets and profits that may be legally distributable to JMM's shareholders shall be distributed to the shareholders in the following order: (i) the holders of CN-RPS shall be entitled to be paid, in priority to the holders of ordinary shares in JMM, any declared and unpaid dividend in respect of the CN-RPS; (ii) the holders of CN-RPS shall be paid in priority to the holders of ordinary shares in JMM, the CN-RPS Issue Price, for each such CN-RPS; and if there are surplus assets and profits after the payment or distribution to the holders of CN-RPS as set out in sub-paragraphs (i) and (ii) above, then all such remaining surplus assets shall be distributed amongst the holders of the ordinary shares of JMM.

Terms	Description
Tenure and maturity	Perpetual
Dividend	(a) The CN-RPS shall bear a cumulative dividend rate of 3.5% per annum (payable on a semi-annual basis and in arrears) based on the CN-RPS Issue Price which have not been redeemed. (b) No dividend shall be paid until after the full repayment of the TF subject however to the availability of distributable profits and applicable laws. (c) The dividend payment is payable semi-annually in arrears, which accrue from the date of issue of the CN-RPS until the redemption of the CN-RPS.
Status	The CN-RPS shall constitute direct, unsecured and unconditional obligations of JMM and shall rank pari passu in all respect without priority amongst themselves and, as regards dividends and/or other distributions which may be declared, made or paid in respect of the CN-RPS, in priority to all other classes of shares of JMM, other than the JMM PS. JMM shall not pay or distribute any dividends and/or other distributions on the CN-RPS unless the JMM PS Holders then outstanding shall simultaneously receive any accrued and unpaid dividends and/or other distributions in respect of the JMM PS.
Transferability	The CN-RPS is transferable to any third parties subject to the consent of the Board of Directors of JMM, such consent not to be unreasonably withheld.
Governing law	The CN-RPS will be governed under the laws of Malaysia.
Subscription period	Within 18 months from the issuance of the first tranche of the CN-RPS

The Proposed Subscription shall be undertaken by the Company in multiple tranches.

The Proposed Issuance of JMM PS is part of the Proposed Debt Restructuring and the JMM PS is irredeemable but exchangeable into new M&G Shares. On the other hand, the CN-RPS is to be issued by JMM to M&G and is to capitalise the Amount Owing by JMM to M&G. The CN-RPS is redeemable and not exchangeable into new M&G Shares.

4.2 Mode of settlement of the Proposed Subscription

The Proposed Subscription shall be satisfied as follows:

	RM'000
Amount Owing(1)	94,416
Cash Subscription(2)	55,584
TOTAL	**150,000**

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Notes:

(1) *As at the LPD, the Amount Owing is due to the following:*

	RM'000
Repayment of JMM's borrowings	*18,000*
Upfront cash payment to MIB as part of the Proposed Debt Restructuring ^	*15,236*
Working capital purposes	*43,500*
Corporate guarantee fees receivable^^	*16,181*
Others (management fees, interest receivable and others)	*1,499*
TOTAL	***94,416***

^ *It is a term of the Master facility agreement between JMM and MIB that the upfront cash payment is a condition precedent to the drawdown of the TF with MIB.*

^^ *M&G charged to JMM, a corporate guarantee fee of 1% on the amount of JMM's loan balances guaranteed by M&G.*

(2) *The details of utilisation of the Cash Subscription are as follows:*

	RM'000
Upfront cash payment to ABB as part of the Proposed Debt Restructuring^	*21,242*
Upfront cash payment to BPMB as part of the Proposed Debt Restructuring^^	*13,522*
Dry-docking expenditure	*10,000*
Contingency for JMM's loan repayment	*10,820*
TOTAL	***55,584***

^ *It is a term of the Facilities agreement between JMM and ABB that the upfront cash payment is a condition subsequent to the drawdown of the TF with ABB.*

^^ *It is a term of the agreements between JMM Group and BPMB that the upfront cash payment is a condition precedent to the drawdown of the TF with BPMB. The TF with BPMB has yet to be drawndown.*

4.3 Source of funding

The Proposed Subscription would be undertaken by way of capitalising the Amount Owing and a further Cash Subscription, which will be funded via part of the proceeds from the disposal of the Company's subsidiary, Sistem Lingkaran-Lebuhraya Kajang Sdn Bhd ("**SILK**") which was completed in 2017, and internally generated funds.

4.4 Liabilities to be assumed

Save for the consideration for the Proposed Subscription, there are no liabilities, including contingent liabilities and/or guarantees, to be assumed by M&G pursuant to the Proposed Subscription.

4.5 Additional financial commitment

Save for the consideration in respect of the Proposed Subscription, M&G is not expected to assume any additional financial commitment to put the business of the JMM Group on-stream as the JMM Group is already in operations and is an on-going business.

Notwithstanding the aforesaid, when the business of the JMM Group grows in the future, JMM Group may require additional funding for the expansion of its business. As such, M&G may be required to contribute towards the provision of additional funding requirement of JMM Group.

5. BACKGROUND INFORMATION ON JMM

Information on the JMM Group is set out in Appendix I of this Circular.

6. RATIONALE AND BENEFITS FOR THE PROPOSALS

6.1 Proposed Issuance

The Proposed Issuance is an essential part of the Proposed Debt Restructuring. In the event the Proposed Debt Restructuring is not completed, this may potentially impact the level of operations of JMM, as JMM may not be able to match the cash flow from operations to its debt obligations.

As a result, M&G may potentially not be able to meet the level of operations or financial condition that is adequate to warrant continued trading or listing on the Main Market of Bursa Securities.

As an integral part of the Proposed Debt Restructuring, the Proposed Issuance is to facilitate the Proposed Issuance of JMM PS. Upon the issuance of the JMM PS, the indebtedness of the JMM Group is reduced by RM150.0 million. This will result in interest savings of approximately RM7.65 million per annum based on the effective interest rate of the TF of 5.1% per annum.

Furthermore, the exchange of the JMM PS into new M&G Shares will allow the M&G Group to preserve its cash position, as part of the Outstanding Amounts are to be settled via the exchange for new M&G Shares and not cash.

Pursuant to the terms of the JMM PS, the JMM PS are expected to be surrendered to M&G in exchange for new M&G Shares over a period of time and this will also minimise the immediate dilution effect on M&G.

6.2 Proposed Subscription

Pursuant to the share sale agreement dated 5 December 2005 entered into between AQL, a subsidiary of M&G, and Terengganu Incorporated Sdn Bhd ("**TI**"), the 30% shareholder of JMM, it was agreed that TI's interest in JMM shall not be diluted and TI shall not be required to provide additional capital or financial assistance to JMM. Hence, M&G is unable to increase its equity interest in JMM nor undertake an equal pro-rata funding to JMM.

In view of the above, the Proposed Subscription will enable M&G to support JMM's funding requirements and comply with the terms of the abovementioned share sale agreement.

The Proposed Subscription is undertaken to capitalise the amount owing by JMM to M&G, which would reduce JMM's debt without any cash outflow. In this respect, the Proposed Subscription will allow JMM to preserve its cash for other purposes, such as working capital requirements and future business expansion.

Further, the capitalisation of the amount owing by JMM to M&G and the further Cash Subscription will enable JMM to settle its obligations whilst at the same time increase its capital base which is expected to place the JMM Group on a stronger footing.

In addition, the Inland Revenue Board of Malaysia has recently introduced Section 140C of the Income Tax Act 1967 and Income Tax (Restriction on Deductibility of Interest) Rules 2019 [P.U. (A) 175] to restrict deductions for interest expenses or any other payments which are economically equivalent to interest, to ensure that such expenses commensurate with the business income. The capitalisation of the Amount Owing by JMM to M&G will reduce JMM's interest expense hence, mitigating JMM's tax exposure risk.

Upon completion of the Proposals, the financial position of the M&G Group is expected to improve as illustrated in Section 11.3, Part A of this Circular, which is summarized as below:

	Audited as at 30 April 2019	After completion of the Proposals and upon full exchange of the JMM PS
Gearing (times)		
• Excluding JMM PS	10.90	3.08
• Including JMM PS	10.90	3.08

Further, as elaborated above, the Proposals are expected to reduce the interest expense of JMM which will assist JMM in matching its cash flow from operations to its debt obligations.

Barring unforeseen circumstances, the Company is of the opinion that the Proposals are adequate in addressing the M&G Group's current financial concerns. Nevertheless, the M&G Group will continuously evaluate proposals that would further improve the Company's performance and create value for its shareholders.

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7. PROSPECTS, OUTLOOK AND FUTURE PLAN

7.1 Overview and outlook of the Malaysian economy

In the third quarter of 2019, the Malaysian economy continued to expand, bringing the overall performance of the first three (3) quarters to 4.6% in growth. The pace of growth for the remainder of the year and going into 2020 is expected to be sustained. Household spending supported by continued employment and income growth will remain the key driver of the growth. Private investment growth is projected to remain modest, supported partly by realisation of approved projects while public investment will be a smaller drag to growth, following planned higher capital spending mainly in the transportation segment.

On the external front, imports are expected to grow faster than exports, in line with the projected improvement in the investment activity. Hence, support from net exports will likely moderate.

Due to protracted trade tensions, uncertainties in the global economic and financial conditions, as well as weakness in commodity-related sectors, the balance of risks to growth remains tilted to the downside.

(Source: Economic and Financial Developments in the Malaysian Economy in the Third Quarter of 2019 – Bank Negara Malaysia)

The prospect of the Malaysian economy remains robust amid increasing uncertainties in the external environment. Real GDP is expected to grow by 4.7% in 2019 and 4.8% in 2020. The growth is underpinned by resilient domestic demand, particularly household spending following stable labour market and low inflation. Meanwhile, private investment is expected to grow at a slower pace in 2019 and gain traction in 2020 following the resumption of infrastructure projects coupled with ongoing capital spending in the services and manufacturing sectors. Favourable private sector expenditure activity will offset the impact of lower public expenditure in 2019. However, economic growth is expected to rebound in 2020 with improvement in public corporation's capital outlays.

On the supply side, the services and manufacturing sectors will continue to be the main contributors to economic growth. The services sector, driven by the activities of the wholesale and retail trade, information and communication, as well as finance and insurance sub-sectors, is projected to remain firm backed by robust household spending. The manufacturing sector is expected to grow at slower pace in 2019 due to E&E downcycle and is anticipated to pick up in 2020, supported by better semiconductor outlook, especially during the second half of the year. The agriculture sector is projected to expand following higher production of crude palm oil (CPO) and natural rubber, while the mining sector is expected to increase supported by higher production of natural gas. Similarly, the construction sector is anticipated to improve attributed to activities in civil engineering.

(Source: Economic Outlook 2020 – Ministry of Finance Malaysia)

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7.2 Overview and outlook of the oil and gas industry

Since the last update of the PETRONAS Activity Outlook (PAO) 2018-2020, oil prices have exhibited greater volatility despite improvement in price level. In 2018, Dated Brent has averaged US$72 per barrel (as at 7 December 2018), compared to average 2017 price of US$54 per barrel, a 33% annual increase.

Oil prices have been fluctuating in 2018 from year-high of US$86.2 per barrel in early October to lowest of US$57 per barrel in end November as the global oil market turned from tight to oversupply.

Extension of production cut by OPEC+ to end 2018 has managed to stabilise the global oil market. Commercial oil inventories for the Organisation for Economic Cooperation and Development (OECD) countries have declined sharply to below the five-year average of 2.8 billion barrels in March 2018. However, towards the end of year, the global oil market turned into surplus resulting in oil prices weakening to below US$60 per barrel. This was driven by demand concern and increased supply from the US. Production from the US continue to grow, hitting a record-high of 11.7 million bpd in November 2018 to average 10.9 million bpd in 2018. OECD oil stocks increased by 63 mil barrels from March 2018 to 2.9 billion barrels at the end of Q3 2018, indicating a surplus market.

On 7 December, OPEC+ pledged to extend the production cut to June 2019 with participating members in OPEC reducing output by 800 kbpd and non-OPEC 400 kbpd, with the intent to stabilize the oil market. However, the growth of US tight oil production and expectation of global oil demand growth, amidst the concern on trade war and weakening emerging markets' currencies will influence the global oil market in 2019.

The three-year outlook portrays growth in Brownfield activities particularly in Rigs category and its supporting services, for example, Marine Vessels. Base activities in Maintenance is projected to increase for both Onshore and Offshore in tandem with this outlook. Integrated groupwide Onshore Plant & Facilities Turnaround will build local players' capability that yields value optimisation.

(Source: PETRONAS Activity Outlook 2019-2021)

The mining sector contracted by 4.3% (2Q 2019: +2.9%), due mainly to maintenance works that affected oil production. This partially offset the ongoing output recovery in natural gas.

Commodities exports turned negative (-10.0%; 2Q 2019: 0.2%) due primarily to a sharp decline in crude petroleum exports (-43.9%; 2Q 2019: -10.4%). This was attributable to the temporary closure for maintenance works at selected oil fields and lower global oil prices.

The Brent crude oil price averaged lower at USD62 per barrel in the third quarter of 2019 (2Q 2019: USD68), as concerns over weak global demand conditions more than offset the upward price pressure from the ongoing voluntary output cuts by OPEC+ and the oil supply disruptions in the Middle East.

(Source: Economic and Financial Developments in the Malaysian Economy in the Third Quarter of 2019 – Bank Negara Malaysia)

The agriculture sector is projected to expand following higher production of crude palm oil (CPO) and natural rubber, while the mining sector is expected to increase supported by higher production of natural gas. Similarly, the construction sector is anticipated to improve attributed to activities in civil engineering.

(Source: Economic Outlook 2020 – Ministry of Finance Malaysia)

7.3 Future prospects of the JMM Group

The JMM Group is principally involved in the provision of offshore marine support services, and has been providing OSV services to oil majors for over 30 years. JMM owns and operates a fleet of 21 vessels comprising 19 AHTS vessels and 2 SSVs. In addition, JMM also operates several vessels owned by third parties.

AHTS vessels undertake anchor handling functions (positioning and retrieval of drilling rig anchors) and towing activities (repositioning of rigs to other drilling locations) in addition to transporting equipment and cargoes to and from offshore installations whilst SSV are vessels specifically designed to transport equipment and cargoes to and from offshore installations.

JMM operates two classes of AHTS, namely 60 metric tonne bollard pull ("**MTBP**") AHTS which are the standard AHTS deployed in shallow waters, and 120 MTBP AHTS equipped with Dynamic Positioning System that support both shallow and deep water operations.

The world crude oil prices have gradually improved since its decline in 2014. Given this, the oil majors have been focused on cost rationalisation for both their capital and operational expenditures. In view of this stance by the oil majors, service providers may continue to experience weak revenue ahead due to low market charter rates and low fleet utilization.

The prolonged low level of activity in the past years in the oil and gas industry has had direct and adverse impact to JMM. Vessel utilisation fell from an average of 88% in 2014 to an average of 48% in 2017. Encouragingly, for the 2018/2019 financial period, vessel utilization improved to an average of 62%.

Furthermore, mirroring industry trends, the DCR for its vessels also fell by approximately 41% from 2014. Although DCR have stabilised, they are not expected to increase substantially in the next 12 months. The combination of low charter and utilisation rates has had an adverse impact on revenue.

During the recently concluded financial period 30 April 2019, in terms of major contracts, JMM secured 8 new long term contracts and 2 contract extensions. The new contracts are for a period of 3 years each and the contract extensions are for 1 year each. During this period, JMM deployed 17 vessels out of its fleet of 21 vessels, achieving a utilization rate of 62%. Subsequent to the end of the financial period 30 April 2019, JMM managed to secure 2 further long-term contracts. As at the LPD, the order book balance of JMM is approximately RM317 million with a total of 16 contracts in hand.

The Economic Outlook 2020 published by the Ministry of Finance expects the mining sector to increase from higher production of natural gas. Based on the PETRONAS Activity Outlook 2019-2021, the outlook is expected to be positive for upstream activity as the increase in drilling and production activities is expected to increase the demand for AHTS and SSV.

Based on PETRONAS Activity Outlook report (2017-2019, 2018-2020 and 2019-2021), demand for large AHTS with bollard pull capacity above 100 MTBP is expected to gradually increase from 15-20 units forecasted for 2017 to 38-42 units for 2021. For smaller AHTS with bollard pull capacity below 100 MTBP, the demand is also expected to increase gradually from 30-35 units forecasted for 2017 to 62-66 units for 2021.

In line with the above forecast, JMM overall average vessel utilization improved from 48% in the financial year 2017, to 62.5% in financial year 2018/2019 (January 2018 to April 2019). For the first half of the financial year 2019/2020, the average fleet utilization was 69% (from May 2019 to October 2019).

Notwithstanding the increasing demand for vessels, JMM utilization was impacted by its vessel scheduled docking and vessels laid up. In the 2018/2019 financial year, 5 vessels underwent scheduled docking which typically takes 30 days for each vessel. In addition, during the said year, 4 vessels remained laid up and are therefore not available for operation. Given the docking and vessel laid up, JMM can only achieve a maximum of approximately 79% utilization. Given the increasing demand, JMM is currently reactivating its 4 laid up vessels, which are expected to be fully operational by mid 2020.

Vessel utilization rate is driven by offshore oil and gas activities. The DCR on the other hand is a function of supply and demand. Given the vessel demand indicated in the Petronas Activity Outlook reports and the limited number of Malaysian owned vessels, especially for the larger AHTS with more than 100 MTBP, the limited supply is expected to push the DCR higher. In this segment, there is less than 40 units of Malaysian owned AHTS with bollard pull capacity above 100 MTBP. JMM is one of the largest owner of vessels in this segment. Notwithstanding, the extent of the expected charter rate increase will depend on the demand and supply forces at that time.

The long term future plans for JMM will depend on market developments in the next 3-5 years. At present, JMM intends to continue to maintain and operate its existing fleet of 21 vessels. Its fleet renewal program will depend on the market conditions. Typically, JMM will dispose of its older vessels before they reach the age of 15 years. JMM's average vessel age is approximately 9 years and its oldest vessel is currently 13 years old. JMM does not have plans to expand its fleet at this time.

As an overall, it is expected that vessel utilization will continue to improve in the next financial year. Revenue is also expected to increase mainly driven by higher vessel utilization rather than higher DCR. However, it is observed that for the Asia Pacific region overall, there is already an uptrend in DCR in most segments of the market.

(Source: Management of JMM)

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8. RISKS FACTORS

JMM is currently a 70%-owned subsidiary of M&G through its subsidiary, AQL. Accordingly, the M&G Group is already subject to risks inherent in the sector in which JMM operates. The Board of M&G does not foresee any material change to the risk profile of the M&G Group's business as a consequence of the Proposals.

The risk factors in relation to the Proposals are set out below:

8.1 Completion of the Proposed Issuance

The completion of the Agreements is subject to the fulfilment of the conditions precedent of the Agreements which includes amongst others, the approval from the non-interested shareholders of M&G and other relevant authorities and/or parties as set out in Section 13, Part A of this Circular to approve the Proposed Issuance, some of which are beyond the control of M&G. In the event these conditions precedent are not fulfilled or waived, M&G will not be able to complete the Proposed Issuance which may potentially jeopardise the Proposed Debt Restructuring.

For the audited 16-month FPE 30 April 2019 and unaudited 3-month FPE 31 July 2019, JMM contributed 77.2% and 75.5% of the revenue of M&G Group respectively. However, in view of the weak demand for OSV services, JMM incurred losses of RM115.5 million and RM14.3 million for the audited 16-month FPE 30 April 2019 and unaudited 3-month FPE 31 July 2019 respectively, which represent 106.8% and 110.9% of the M&G Group's losses for the same periods.

The non-completion of the Proposed Debt Restructuring will have an adverse impact on the financial position and level of operation of M&G.

Nevertheless, M&G will take all proactive and reasonable steps to ensure the successful completion of the Proposed Issuance and will endeavour to fulfill all the conditions precedent of the Agreements which is within its control within the stipulated timeframe.

8.2 Non-compliance with public shareholding spread after the exchange of JMM PS into new M&G Shares

Paragraph 8.02(1) of the MMLR states that a listed issuer must ensure compliance with the Public Spread Requirement.

The exchange of JMM PS into new M&G Shares may result in non-compliance with the Public Spread Requirement. Further details of the implication of the Public Spread Requirement is set out in Section 10, Part A of this Circular.

8.3 Completion of the Proposed Subscription

The Proposed CN-RPS Issuance is subject to the approval from the shareholders of JMM. As JMM is not a wholly-owned subsidiary of M&G, the Proposed CN-RPS Issuance might not be approved and JMM would not be able to settle its existing obligations toward M&G and risk tax exposure as stated in Section 6.2, Part A of this Circular.

8.4 Political, economic and regulatory considerations

Given the nature of the OSV service industry, JMM Group is susceptible to changes in political, general economic, business and regulatory conditions in Malaysia as well as globally which could materially and adversely affect the financial and business prospects of JMM Group. These include but are not limited to, risks of war, expropriation, nationalisation, renegotiation of existing contracts and arrangements, global economic downturn and unfavourable changes in government policy such as changes in interest rates, inflation rate, taxation and currency exchange controls. There can be no assurance that any changes to these factors will not have an adverse effect on JMM Group's business and financial performance.

8.5 Risk in the oil and gas industry

8.5.1 Fluctuations in crude oil prices

Crude oil prices are subject to fluctuations. The year 2018 has seen greater volatility in oil prices with Dated Brent rising to US$86 per barrel in early October from US$67 per barrel at the onset of the year. In early December, Brent declined by 30% to US$57 per barrel due to oversupplied market. *(Source: PETRONAS Activity Outlook 2019-2021).* The fluctuations in crude oil prices are very much related to the fundamentals of demand and supply conditions of the global crude oil market. In turn, the level of volatility will affect the level of capital spending by companies operating in the oil and gas industry. Any major and sustained decline in the price of oil and gas could result in a lower investment in the exploration and production ("**E&P**") sector which in turn translates to a decrease in demand for offshore support services including the OSV. A decrease in demand for the OSV may result in lower charter rates for the vessels which may translate to lower revenue for companies involved in the provision of OSV services such as JMM, a 70%-owned subsidiary of AQL.

8.6 Business risks

The OSV services industry is governed by the forces of supply of and demand for vessels and shipping capacity that would result in fluctuations of charter rates and vessel value. These factors may contribute to the volatility of financial performance. A decrease in demand for vessels or increase in supply of vessels may result in the charging of lower charter rates to customers which translate to lower revenue.

The demand factors would depend on, among others, trade activities in the upstream and downstream sectors of the oil and gas industry. The supply factors would include the total number of vessels in operating condition that are in compliance with governmental and industry regulations of the maritime industry, as well as the building and delivery of new vessels.

8.6.1 Operational, health and safety risks

As inherent in the business of vessel chartering, players face the risk of damage to and/or loss of vessels, interruptions to operations due to adverse weather conditions and mechanical failures. Further, it is envisaged that deepwater explorations would be the next impetus for growth in the oil and gas industry. In such an environment, the field architecture, technology and concept options are more complex and diverse and hence present greater risks in terms of health and safety.

To address these risks, JMM has established a safety policy that clearly sets out the safety measures that must be strictly adhered to by its management and employees. Periodic audits of health and safety procedures and practices are undertaken to ensure effectiveness of such measures. JMM has won numerous safety awards from customers including from PETRONAS Carigali Sdn Bhd ("**PETRONAS**") and ExxonMobil Exploration and Production Malaysia Inc. reflecting JMM's strong safety culture. These awards represent JMM's unwavering commitment towards health, safety and environmental matters.

Nonetheless, whilst JMM places heavy emphasis on health and safety throughout all levels of operations and undertakes continuous health and safety training for the employees, there is no assurance that accidents and damage will not occur.

The directors of JMM will use their best endeavours to ensure that an adequate level of insurance coverage against such risks is maintained.

8.6.2 Inability to renew licence

JMM's qualification to tender for and secure OSV services is dependent on its licences and registrations with Petronas. These licences and registrations are valid for a certain period of time with the renewal based on JMM's compliance with those requirements imposed by PETRONAS. There is no assurance that these licenses and registrations will be renewed when they expire. JMM, however, will continue to ensure that it is in compliance with the requirements at all times, and is confident about the on-going renewals, as there have been no instances of failure to obtain the renewals in the past.

8.6.3 Investment risks

In order to remain competitive, JMM must embark on a fleet renewal plan. This will require large capital investments, as smaller vessels cost up to RM60 million each and larger vessels that are capable of operating in deepwater cost up to RM120 million each. In view of this, typically, the building of new vessels would need to be funded via external financing. Thus, to be able to repay external financing, vessels will only be acquired based on the expected demand for OSV and possibility of securing long-term charter contracts.

8.6.4 Risk relating to early termination of contracts

Most of JMM's available vessels are chartered out to customers on medium to long-term contracts of between 1 to 3 years. There is a good mixture of medium and long term contracts. This provides a steady stream of income through long term contracts and the potential earnings growth from the higher charter rate of the medium term contracts.

Despite the long term contracts, JMM faces the risk of possible early termination of contracts which could affect JMM Group's cash flows and operations. However, charter hire contracts would normally contain compensation clauses that would mitigate this risk. Further, the directors of JMM do not foresee that any of its customers would terminate their contracts as evidenced by the fact that JMM has not encountered any event of early termination of contract since commencement of business.

8.6.5 Other inherent risks associated with OSV

JMM is exposed to the inherent risks of damage to and/or loss of vessels and cargoes sustained in collisions, interruptions to operations caused by adverse weather conditions and mechanical failure. In the event of accidents, JMM may incur liability for clean up and salvage costs and other damages sustained in collisions as well as wreck removal charges. In addition, accidents may lead to the exposure of claims from third parties.

In this respect, all the vessels are insured in accordance with standard practices that consist of Hull and Machinery Insurance and Protection and Indemnity Insurance. Nonetheless, any major claim might adversely affect the claims record of JMM's fleet and result in an increase in insurance coverage rates and premium paid.

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9. IMPLICATIONS ON THE RULES ON TAKE-OVERS, MERGERS AND COMPULSORY ACQUISITIONS ("RULES")

The exchange of the JMM PS into new M&G Shares by the Banks will not result in the Banks on an individual basis, holding 33% or more of equity interest in M&G. Therefore, this will not give rise to an obligation to extend a mandatory general offer to acquire the remaining M&G Shares not owned by them ("**Mandatory General Offer**").

Pursuant to the Call Option Agreement, the individual shareholdings of ARA or DMA may give rise to an obligation to extend a Mandatory General Offer to acquire the remaining M&G Shares not owned by them. Both ARA and DMA will observe and monitor their individual shareholdings and will comply with all necessary legal and regulatory obligations relating thereto.

It is not the intention of ARA and DMA to make a general offer for the remaining M&G Shares not already owned by them and they will be mindful of the threshold of 33.00% when exchanging the JMM PS for new M&G Shares. Accordingly, should ARA and/or DMA wish to exchange the JMM PS for new M&G Shares such that their individual shareholdings exceed 33.00%, ARA or DMA may make an application to the Securities Commission Malaysia to seek an exemption under paragraph 4.08 of the Rules from the obligation to extend a Mandatory General Offer upon exchanging the JMM PS for new M&G Shares. The application may be made at a later date but prior to triggering the mandatory general offer obligation under the Rules.

10. IMPLICATIONS ON THE PUBLIC SHAREHOLDING SPREAD

As mentioned in Section 8.2 above, should the exchange of JMM PS into new M&G Shares result in the collective shareholdings of the Promoters to exceed 75% of the enlarged issued share capital and thus, be in non-compliance with the Public Spread Requirement, M&G will take all proactive and reasonable steps to ensure that the Promoters are mindful of the Public Spread Requirement, in addition to continuously monitor the exchange of JMM PS into new M&G Shares during the Exchangeable Period.

As at the LPD, the public shareholding spread of M&G is 38.80%. In the event of full exchange of JMM PS into new M&G Shares by the Promoters and/or the Banks, the public shareholding spread of M&G would be reduced to 12.63%.

In the event that the Public Spread Requirement is not met, the Company will engage the substantial shareholders to reduce their shareholdings, or undertake new issuance of M&G Shares to independent third parties to rectify such non-compliance.

The Promoters may also assign or transfer their rights under the Call Option Agreements to third parties. In exercising such rights, the Promoters will ensure compliance with the Public Spread Requirement.

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11. EFFECTS OF THE PROPOSALS

The Proposed Subscription does not have any impact on the share capital, substantial shareholders' shareholdings, NA, NA per M&G Share, gearing, earnings and EPS of M&G.

The effects of the Proposed Issuance are illustrated in the ensuing sections.

11.1 Share capital

The proforma effects of the Propose Issuance on the share capital of M&G are as follows:

	No. of M&G Shares ('000)	RM'000
Share capital as at the LPD	723,879	[(1)]270,003
After issuance of JMM PS to the Banks	-	-
	723,879	[(1)]270,003
After issuance of CN-RPS to M&G	-	-
	723,879	[(1)]270,003
New M&G Shares to be issued upon full exchange of the JMM PS	1,500,000	[(2)]150,000
Enlarged issued share capital	**2,223,879**	**420,003**

Notes:

(1) *Pursuant to the Act, all amounts standing to the credit of the Company's share premium account has become part of the Company's share capital.*

(2) *Based on the Issue Price.*

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11.2 Substantial shareholders' shareholdings

The pro forma effects of the Proposals on the substantial shareholders' shareholdings as at LPD are set out below:

Shareholders	As at LPD				(I) After issuance of JMM PS to the Banks			
	Direct		Indirect		Direct		Indirect	
	No. of M&G Shares ('000)	%	No. of M&G Shares ('000)	%	No. of M&G Shares ('000)	%	No. of M&G Shares ('000)	%
ARA	192,782	26.63	-	-	192,782	26.63	-	-
DMA	19,662	2.72	150,792	(1)20.83	19,662	2.72	150,792	(1)20.83
Johan Zainuddin bin Dzulkifli	40,323	5.57	59,555	(2)8.23	40,323	5.57	59,555	(2)8.23
Bijak Permai Sdn Bhd	91,236	12.60	-	-	91,236	12.60	-	-
Infra Bumitek Sdn Bhd	59,555	8.23	-	-	59,555	8.23	-	-
Banks	-	-	-	-	-	-	-	-

Shareholders	(II) After (I) and issuance of CN-RPS to M&G				(III) After (II) and issuance of M&G Shares upon full exchange of the JMM PS(3)			
	Direct		Indirect		Direct		Indirect	
	No. of M&G Shares ('000)	%	No. of M&G Shares ('000)	%	No. of M&G Shares ('000)	%	No. of M&G Shares ('000)	%
ARA	192,782	26.63	-	-	592,258	26.63	-	-
DMA	19,662	2.72	150,792	(1)20.83	60,406	2.72	463,258	(1)20.83
Johan Zainuddin bin Dzulkifli	40,323	5.57	59,555	(2)8.23	40,323	1.81	182,964	(2)8.23
Bijak Permai Sdn Bhd	91,236	12.60	-	-	280,294	12.60	-	-
Infra Bumitek Sdn Bhd	59,555	8.23	-	-	182,964	8.23	-	-
Banks	-	-	-	-	(4)747,313	33.60	-	-

Notes:

(1) *Deemed interest through Bijak Permai Sdn Bhd and Infra Bumitek Sdn Bhd.*

(2) *Deemed interest through Infra Bumitek Sdn Bhd.*

(3) *Pursuant to the Proposed Debt Restructuring, the Promoters are to retain control of M&G throughout the tenure of the TF. Hence, it is assumed that the Promoters shall acquire the required quantum of the JMM PS pursuant to the Call Option so as to maintain their percentage shareholdings upon full conversion of the JMM PS into new M&G Shares.*

(4) *Being the remaining JMM PS (if not acquired by the Promoters) held collectively by ABB, MIB and BPMB.*

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11.3 NA, NA per share and gearing

Based on the audited consolidated financial statements of M&G for the 16-month FPE 30 April 2019 and assuming that the Proposals had been completed at the end of the financial period, the proforma effects of the Proposals on the consolidated NA, NA per share and gearing position of M&G Group are illustrated below:

	Audited as at 30 April 2019	(I) After issuance of JMM PS to the Banks	(II) After (I) and issuance of CN-RPS to M&G	(III) After (II) and issuance of M&G Shares upon full exchange of the JMM PS
	RM'000	RM'000	RM'000	RM'000
Share capital	(1)270,003	(1)270,003	(1)270,003	(5)420,003
Reverse acquisition deficit	(92,791)	(92,791)	(92,791)	(92,791)
Translation reserve	(2,223)	(2,223)	(2,223)	(2,223)
Accumulated losses	(83,587)	(2)(25,533)	(25,533)	(6)(78,033)
JMM PS	-	(3)97,500	97,500	-
Non-controlling interest	(100,295)	(4)(75,415)	(75,415)	(75,415)
Total equity	(8,893)	171,541	171,541	171,541
NA excluding JMM PS(8)	91,402	149,456	149,456	246,956
NA including JMM PS(9)	91,402	246,956	246,956	246,956
No. of M&G Shares in issue ('000)	723,879	723,879	723,879	2,223,879
Total borrowings (RM)	996,128	(7)761,694	761,694	761,694
NA per M&G Share (sen)				
• Excluding JMM PS	(10)12.63	(10)20.65	(10)20.65	(11)11.10
• Including JMM PS	(12)12.63	(12)34.12	(12)34.12	(13)11.10
Gearing (times)				
• Excluding JMM PS(14)	10.90	5.10	5.10	3.08
• Including JMM PS(15)	10.90	3.08	3.08	3.08

Notes:

(1) *Pursuant to the Act, all amounts standing to the credit of the Company's share premium account has become part of the Company's share capital.*

(2) *After taking into account a restructuring gain of approximately RM58.0 million attributable to M&G (including the estimated expenses for the Proposals of RM4.0 million) calculated as follows:*

	RM'000
Derecognition of loans and borrowings	*957,655*
Less:	
- *Upfront cash payment*	*(50,000)*
- *Issuance of JMM PS*	*(97,500)*
- *Recognition of new loans and borrowings*	*(723,221)*
- *Transaction cost incurred in connection to the Proposed Debt Restructuring*	*(4,000)*
Total net restructuring gain	***82,934***
Net restructuring gain attributable to:	
- *owners of the Company (70% x RM82.934 million)*	*58,054*
- *non-controlling interests (30% x RM82.934 million)*	*24,880*

(3) *Represents the exchange value (on the assumption that the fair value is RM0.065 per M&G Share based on the market value of M&G share as at the LPD) of RM150 million JMM PS issued by JMM to the Banks pursuant to its Proposed Debt Restructuring, which is exchangeable into fixed numbers of M&G Shares.*

(4) *After taking into account a restructuring gain of approximately RM24.9 million attributable to minority interests as tabulated in Note 2 above.*

(5) *Based on the Issue Price.*

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(6) *After taking into account the differences between the total amount of new M&G Shares to be issued at RM0.10 per M&G Share and the exchange value of JMM PS on initial recognition in accordance to applicable approved accounting standards relevant to financial instruments as follows:*

Movement in accumulated losses	**RM'000**
Balance as at 30 April 2019	*(83,587)*
Effect of the Proposed Debt Restructuring:	
Net restructuring gain attributable to the owners of the Company	*58,054*
	(25,533)
Effect of the Proposed Issuance arising from the differences between the total amount of new M&G Shares to be issued at RM0.10 per M&G Share of RM150 million and the exchange value of JMM PS on initial recognition of RM97.5 million	*(52,500)*
	(78,033)

(7) *After taking into account the upfront payment to the Banks of RM50.0 million, the Proposed Issuance of JMM PS of RM150.0 million and gain on the derecognition of existing borrowings of RM34.4 million.*

(8) *Calculated as total equity of M&G excluding non-controlling interest and the exchange value of the JMM PS of RM97.5 million.*

(9) *Calculated as total equity of M&G excluding non-controlling interest and including the exchange value of the JMM PS of RM97.5 million.*

(10) *Calculated based on total equity of M&G excluding non-controlling interest and the exchange value of the JMM PS of RM97.5 million over 723.9 million M&G Shares in issue.*

(11) *Calculated based on total equity of M&G excluding non-controlling interest and the exchange value of the JMM PS of RM97.5 million over 2,223.9 million M&G Shares in issue.*

(12) *Calculated based on total equity of M&G excluding non-controlling interest and including the exchange value of the JMM PS of RM97.5 million over 723.9 million M&G Shares in issue.*

(13) *Calculated based on total equity of M&G excluding non-controlling interest and including the exchange value of the JMM PS of RM97.5 million over 2,223.9 million M&G Shares in issue.*

(14) *Calculated based on total borrowings over total equity of M&G excluding non-controlling interest and the exchange value of the JMM PS of RM97.5 million.*

(15) *Calculated based on total borrowings over total equity of M&G excluding non-controlling interest and including the exchange value of the JMM PS of RM97.5 million.*

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11.4 Earnings and EPS

For illustrative purposes only, audited consolidated financial statements of M&G for the 16-month FPE 30 April 2019 and assuming that the Proposals had been completed at the end of the financial period, the pro forma effects of the Proposals on the consolidated earnings and EPS of M&G Group are illustrated below:

	Audited as at 30 April 2019	(I) After issuance of JMM PS to the Banks	(II) After (I) and issuance of CN-RPS to M&G	(III) After (II) and issuance of M&G Shares upon full exchange of the JMM PS
	RM'000	RM'000	RM'000	RM'000
Loss attributable to the owners of the Company	(71,477)	(1)(13,423)	(13,423)	(2)(65,923)
No. of M&G Shares in issue ('000)	723,879	723,879	723,879	2,223,879
Loss Per Share (sen)	(9.87)	(1.85)	(1.85)	(2.96)

Notes:

(1) *After taking into account a restructuring gain of approximately RM58.0 million attributable to M&G (including the estimated expenses for the Proposals of RM4.0 million).*

(2) *The differences between the restructuring gain of approximately RM58.0 million and the differences between the total amount of new M&G Shares to be issued at RM0.10 per M&G Share of RM150 million and the exchange value of JMM PS on initial recognition of RM97.5 million.*

The Proposed Issuance is expected to have a positive impact on the consolidated earnings of M&G Group for the financial year ending 30 April 2020 arising from the restructuring gain of approximately RM58.0 million and potential interest saving of approximately RM2 million for 3 months up to 30 April 2020.

11.5 Convertible securities

As at the LPD, M&G does not have any existing options, warrants or convertible securities.

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12. HISTORICAL SHARE PRICES

The monthly highest and lowest prices of M&G Shares as traded on the Main Market of Bursa Securities for the last 12 months from December 2018 to November 2019 are as follows:

	High	Low
	RM	RM
2018		
December	0.07	0.06
2019		
January	0.09	0.06
February	0.09	0.07
March	0.11	0.07
April	0.11	0.09
May	0.10	0.08
June	0.09	0.08
July	0.09	0.08
August	0.08	0.07
September	0.09	0.07
October	0.08	0.07
November	0.08	0.07

Last transacted price of M&G Shares on 26 November 2019, being the last day where the M&G Shares were traded prior to the announcement of the Proposed Issuance (RM)	0.07
Last transacted price of M&G Shares on the LPD (RM)	0.07

(Source: Bloomberg)

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13. APPROVALS REQUIRED, CONDITIONALITY AND HIGHEST PERCENTAGE RATIO

The Proposed Issuance is subject to and conditional upon approvals being obtained from the following:

(i) Bursa Securities for the listing of and quotation for the new M&G Shares on the Main Market of Bursa Securities. This approval was obtained via Bursa Securities' letter dated 13 December 2019 and is subject to, among others, the following conditions:

Item	Conditions	Status of compliance
(i)	M&G and MIDF Investment must fully comply with the relevant provisions under the Main Market Listing Requirements pertaining to the implementation of the Proposed Issuance, including compliance with the public shareholding spread requirements pursuant to Paragraph 8.02 of the Main Market Listing Requirements upon issuance of the M&G Shares pursuant to the Proposed Issuance	To be complied
(ii)	M&G and MIDF Investment to inform Bursa Securities upon the completion of the Proposed Issuance	To be complied
(iii)	M&G and MIDF Investment to furnish Bursa Securities with a certified true copy of the resolution passed by the shareholders approving the Proposed Issuance prior to the listing and quotation of the M&G shares to be issued pursuant to the Proposed Issuance	To be complied
(iv)	M&G and MIDF Investment to furnish to Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Proposed Issuance is completed	To be complied
(v)	To incorporate Bursa Securities' comments as per attachment in respect of draft circular to shareholders	Complied

(ii) the non-interested shareholders of M&G at the forthcoming EGM;

(iii) the shareholders of JMM for the Proposed Issuance of JMM PS and proposed amendment to JMM's Constitution; and

(iv) any other relevant regulatory authorities and/or parties, if required.

The Proposed Subscription is subject to and conditional upon approvals being obtained from the following:

(i) shareholders of M&G for the Proposed Subscription at an EGM to be convened;

(ii) the shareholders of JMM for the Proposed CN-RPS Issuance and proposed amendment to JMM's Constitution; and

(ii) any other relevant regulatory authorities and/or parties, if required.

The Proposals are not inter-conditional upon each other.

The Proposals are not conditional upon any other corporate exercise/scheme of the Company.

The highest percentage ratio applicable to the Proposals pursuant to Paragraph 10.02(g) of the Listing Requirements exceeds 100% and the Proposals are deemed as very substantial transactions.

14. CORPORATE EXERCISE/SCHEME ANNOUNCED BUT PENDING COMPLETION

Save for the Proposals, which is the subject of this Circular, the Board confirms that M&G does not have any other corporate exercise or scheme which has been announced but pending completion prior to the printing of this Circular.

15. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND PERSONS CONNECTED TO THEM

15.1 Proposed Issuance

Save as disclosed below, none of the directors and major shareholders of M&G and/or persons connected with them has any interest, direct or indirect, in the Proposed Issuance.

The Promoters are major shareholders of M&G, and are deemed interested in the Proposed Issuance by virtue of them entering into separate Call Option Agreements with the Banks. The details of each Promoter's interest in M&G as at the LPD are as follows:

Shareholder	Direct		Indirect	
	No. of M&G Shares ('000)	%	No. of M&G Shares ('000)	%
ARA	192,782	26.63	-	-
DMA	19,662	2.72	(1)150,792	20.83

Note:

(1) *Deemed interest through Bijak Permai Sdn Bhd and Infra Bumitek Sdn Bhd.*

DMA is also the Executive Chairman/Non-Independent Executive Director of M&G. He has abstained and will continue to abstain from all deliberations and voting at the relevant meetings of the Board in relation to the Proposed Issuance.

The Promoters will also abstain from voting in respect of their direct and/or indirect shareholding in the Company, if any, on Ordinary Resolution 1 and Ordinary Resolution 2 at the EGM of the Company to be convened. In addition, the Promoters have also undertaken to ensure that persons connected to them will abstain from voting in respect of their direct and/or indirect shareholding in the Company on Ordinary Resolution 1 and Ordinary Resolution 2 at the EGM of the Company to be convened.

15.2 Proposed Subscription

None of the directors and major shareholders of M&G and/or persons connected with them have any interest, direct or indirect, in the Proposed Subscription.

16. TRANSACTIONS WITH THE RELATED PARTIES FOR THE PAST 12 MONTHS

Save for the Proposed Issuance, there have been no transactions entered into between our Group with the Promoters and/or persons connected to them for the 12 months preceding the LPD.

17. AUDIT COMMITTEE'S STATEMENT

The Audit Committee of M&G, after having considered the advice of Mercury Securities as the Independent Adviser for the Proposed Issuance, including but not limited to the rationale of the Proposed Issuance, the salient terms of the Agreements and the Call Option Agreements, the effects of the Proposed Issuance and the future prospects of JMM, is of the opinion that the Proposed Issuance is:

(i) in the best interest of M&G;

(ii) fair, reasonable and on normal commercial terms; and

(iii) not detrimental to our non-interested shareholders of M&G.

18. DIRECTORS' STATEMENT AND RECOMMENDATION

18.1 Proposed Issuance

The Board (save for DMA), after having considered all aspects of the Proposed Issuance including the salient terms of the Proposed Debt Restructuring, the rationale and benefits of the Proposed Issuance, the effects of the Proposed Issuance and the future prospects of JMM as well as the fairness evaluation of the IA, is of the opinion that the Proposed Issuance is:

(i) in the best interests of M&G;

(ii) fair, reasonable and on normal commercial terms; and

(iii) not detrimental to the interests of the non-interested shareholders of the Company.

Accordingly, the Board (save for DMA) recommends that you vote in favour of the resolution for the Proposed Issuance to be tabled at the forthcoming EGM of the Company.

18.2 Proposed Subscription

The Board, after having considered all aspects of the Proposed Subscription and after careful deliberation, is of the opinion that the Proposed Subscription is in the best interests of M&G.

Accordingly, the Board recommends that you vote in favour of the resolution for the Proposed Subscription to be tabled at the forthcoming EGM of the Company.

19. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances, the Proposals are expected to be completed by end of April 2020.

The tentative timetable for the Proposals is as follows:

Events	Tentative timing
EGM	31 December 2019
Completion of the Proposals	By end of April 2020

20. EGM

The EGM, the notice of which is enclosed in this Circular, will be held at Dewan Berjaya, Bukit Kiara Equestrian & Country Resort, Jalan Bukit Kiara, Off Jalan Damansara, 60000 Kuala Lumpur on Tuesday, 31 December 2019 at 10.00am, or at any adjournment thereof, for the purpose of considering and if thought fit, passing with or without modification, the resolutions so as to give effect to the Proposals.

You may appoint a proxy or proxies to attend and vote on your behalf. If you wish to do so, you must complete, sign and deposit the enclosed Form of Proxy for the EGM in accordance with the instructions contained therein, at M&G's registered office at Level 22, Axiata Tower, No. 9, Jalan Stesen Sentral 5, Kuala Lumpur Sentral, 50470 Kuala Lumpur not less than 24 hours before the time appointed for the taking of the poll for the EGM or at any adjournment thereof. The lodging of the Form of Proxy for the EGM will not preclude you from attending and voting in person at the EGM should you subsequently decide to do so.

21. FURTHER INFORMATION

You are advised to refer to the enclosed appendices of this Circular for further information.

Yours faithfully
For and on behalf of the Board of
MARINE & GENERAL BERHAD

TAI KEAT CHAI
Non-Independent Non-Executive Director

PART B

INDEPENDENT ADVICE LETTER TO THE NON-INTERESTED DIRECTORS AND NON-INTERESTED SHAREHOLDERS OF M&G IN RELATION TO THE PROPOSED ISSUANCE

All definitions used in this Executive Summary shall have the same meanings as the words and expressions provided in the "Definitions" section of the Circular, except where the context otherwise requires or where otherwise defined herein.

All references to "we", "us" and "our" are to Mercury Securities, being the Independent Adviser for the Proposed Issuance. All references to "you" and "your" are to non-interested shareholders of M&G.

THIS EXECUTIVE SUMMARY HIGHLIGHTS THE SALIENT POINTS OF OUR EVALUATION OF THE PROPOSED ISSUANCE. YOU ARE ADVISED TO READ AND UNDERSTAND THIS IAL IN ITS ENTIRETY, TOGETHER WITH THE LETTER FROM THE BOARD IN PART A OF THE CIRCULAR AND THE ACCOMPANYING APPENDICES FOR OTHER RELEVANT INFORMATION. YOU SHOULD NOT RELY SOLELY ON THIS EXECUTIVE SUMMARY BEFORE FORMING AN OPINION ON THE PROPOSED ISSUANCE.

YOU ARE ALSO ADVISED TO CONSIDER CAREFULLY THE RECOMMENDATION CONTAINED IN BOTH THIS IAL AND THE LETTER FROM THE BOARD BEFORE VOTING ON THE RESOLUTION PERTAINING TO THE PROPOSED ISSUANCE TO BE TABLED AT M&G'S FORTHCOMING EGM.

IF YOU HAVE ANY DOUBT ABOUT THE PROPOSED ISSUANCE, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER IMMEDIATELY.

1. INTRODUCTION

On 27 November 2019, MIDF Investment had, on behalf of the Board, announced that JMM and its subsidiaries namely JMG 3 and JMG 4 had on even date entered into the Agreements to restructure their outstanding facilities to the Banks totalling RM923.2 million as at the Cut-Off Date.

The Proposed Debt Restructuring entails, amongst others, JMM issuing 150.0 million JMM PS at the nominal value of RM1.00 each to the Banks, of which the JMM PS may be presented and surrendered to M&G in exchange for new M&G Shares based on the exchange ratio of 1 JMM PS to 10 M&G Shares.

To facilitate the Proposed Debt Restructuring, the Promoters, who are also major shareholders and/or Director of M&G, will be entering into separate call option agreements with the Banks for the option to purchase the JMM PS from the Banks for a total sum of RM150.0 million in order to maintain their direct and indirect shareholdings in M&G, and to collectively retain significant influence in M&G.

Pursuant thereto, the Proposed Issuance is deemed a related party transaction under Paragraph 10.08(4) of the MMLR. Accordingly, the Board, save for DMA, had appointed us, Mercury Securities, to act as the Independent Adviser to advise the non-interested Directors and non-interested shareholders of M&G in respect of the Proposed Issuance.

This IAL is prepared solely for the purpose of assisting you to evaluate the fairness and reasonableness of the Proposed Issuance and should not be used or relied upon by any other party or for any other purpose whatsoever. You should nonetheless rely on your own examination of the Proposed Issuance before making a decision in connection with the resolution pertaining to the Proposed Issuance at M&G's forthcoming EGM.

2. EVALUATION OF THE PROPOSED ISSUANCE

In evaluating the Proposed Issuance, we have taken into consideration the following factors:

Consideration Factors	Our Evaluation
Rationale for the Proposed Issuance	The Proposed Issuance is reasonable as it is undertaken mainly to facilitate the Proposed Debt Restructuring, without which, M&G would have to repay the Outstanding Amounts due to the corporate guarantees provided by M&G and/or AQL for more than 65% of the facilities in relation to the Outstanding Amounts. In the event of a default by the JMM Group, M&G would likely be classified as a Practice Note 17 Issuer pursuant to paragraph 8.04 of the MMLR. In addition, the Proposed Issuance would also enable the JMM Group to reduce the Outstanding Amounts by RM150.0 million without cash outlays, which is expected to conserve the JMM Group's cash resources for its operations.
Salient terms of the JMM PS and the Call Option	The salient terms of the JMM PS and the Call Option are reasonable and are not detrimental to you.
Issue Price	The Issue Price is fair as it is generally higher than the historical market prices of M&G Shares in the past 1 year up to and including the LTD as follows: (i) the Issue Price is higher than the closing market prices of M&G Shares in the past 1 year up to and including the LTD, except on 5 April 2019 and 18 March 2019 which traded at RM0.105; and (ii) the Issue Price is at a premium between 53.8% and 22.9% over the closing market price of M&G Shares as at the LTD as well as the 5-day, 1-month, 3-month, 6-month and 12-month VWAMP of M&G Shares up to and including the LTD.
Effects of the Proposed Issuance	The effects of the Proposed Issuance, taken as a whole, are not detrimental to you.

3. CONCLUSION AND RECOMMENDATION

Based on our evaluation in Section 5 of this IAL, we are of the opinion that, on the basis of the information available to us, the Proposed Issuance is **FAIR AND REASONABLE** and is not detrimental to you.

Accordingly, we recommend that you **VOTE IN FAVOUR** of the resolution pertaining to the Proposed Issuance to be tabled at M&G's forthcoming EGM.

Mercury Securities Sdn. Bhd. (113193-W)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

Headquarters:
Kuala Lumpur Branch
L-7-2, No 2, Jalan Solaris
Solaris Mont' Kiara
50480 Kuala Lumpur

16 December 2019

To: The Shareholders of Marine & General Berhad ("M&G")

Dear Sir/Madam,

INDEPENDENT ADVICE LETTER IN RELATION TO THE PROPOSED ISSUANCE OF 1.5 BILLION NEW ORDINARY SHARES IN M&G ("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 ("IAL")

This IAL is prepared for inclusion in the circular to shareholders of M&G dated 16 December 2019 and should be read in conjunction with the same. All definitions used in this IAL shall have the same meanings as the words and expressions provided in the "Definitions" section of the Circular, except where the context otherwise requires or is otherwise defined herein.

All references to "we", "us" and "our" are to Mercury Securities, being the Independent Adviser for the Proposed Issuance. All references to "you" and "your" are to non-interested shareholders of M&G.

1. INTRODUCTION

On 27 November 2019, MIDF Investment had, on behalf of the Board, announced that M&G's 70%-indirect owned subsidiary, JMM and its subsidiaries namely JMG 3 and JMG 4 had on even date entered into the Agreements to restructure their outstanding facilities to the Banks totalling RM923.2 million as at the Cut-Off Date.

The Proposed Debt Restructuring entails, amongst others, JMM issuing 150.0 million JMM PS at the nominal value of RM1.00 each to the Banks for a total sum of RM150.0 million, of which the JMM PS may be presented and surrendered to M&G in exchange for new M&G Shares based on the exchange ratio of 1 JMM PS to 10 M&G Shares.

Arising therefrom, M&G is proposing to issue 1.5 billion new M&G Shares at the Issue Price of RM0.10 per M&G Share upon the surrender of the JMM PS held by the JMM PS Holders to M&G.

To facilitate the Proposed Debt Restructuring, the Promoters, who are also major shareholders and/or Director of M&G, will be entering into separate call option agreements with the Banks ("**Call Option Agreements**") for the option to purchase the JMM PS from the Banks ("**Call Option**") so as to enable the Promoters:

(i) to maintain their direct and indirect shareholdings in M&G; and

(ii) to collectively retain significant influence in M&G.

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Pursuant thereto, the Proposed Issuance is deemed a related party transaction under Paragraph 10.08(4) of the MMLR. Accordingly, the Board, save for DMA, had appointed us, Mercury Securities, to act as the Independent Adviser to:

(i) comment whether the Proposed Issuance is fair and reasonable so far as the shareholders of M&G are concerned and whether the Proposed Issuance is detrimental to you; and

(ii) advise you on whether you should vote in favour of the Proposed Issuance.

This IAL is prepared solely for the purpose of assisting you to evaluate the fairness and reasonableness of the Proposed Issuance and should not be used or relied upon by any other party or for any other purpose whatsoever. You should nonetheless rely on your own examination of the Proposed Issuance before making a decision in connection with the resolution pertaining to the Proposed Issuance at M&G's forthcoming EGM.

YOU ARE ALSO ADVISED TO CONSIDER CAREFULLY THE RECOMMENDATION CONTAINED IN BOTH THIS IAL AND THE LETTER FROM THE BOARD BEFORE VOTING ON THE RESOLUTION PERTAINING TO THE PROPOSED ISSUANCE TO BE TABLED AT M&G'S FORTHCOMING EGM.

IF YOU HAVE ANY DOUBT ABOUT THE PROPOSED ISSUANCE, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER IMMEDIATELY.

2. SCOPE AND LIMITATIONS TO OUR EVALUATION OF THE PROPOSED ISSUANCE

Mercury Securities was not involved in any formulation of or any deliberations and negotiations on the terms and conditions pertaining to the Proposed Issuance. The terms of reference of our appointment as the Independent Adviser are in accordance with the requirements relating to independent adviser as set out in Paragraph 10.08 of the MMLR and the Best Practice Guide in relation to Independent Advice Letters issued by Bursa Securities.

Our scope as the Independent Adviser is limited to expressing an independent opinion on the Proposed Issuance as to whether the Proposed Issuance is fair and reasonable insofar you are concerned as well as providing our recommendation based on information and documents made available to us as set out below:

(i) the information contained in Part A of the Circular and the accompanying appendices;

(ii) the Agreements;

(iii) the draft Call Option Agreements; and

(iv) discussions with the Board and M&G's management as well as representations made by them;

(v) other relevant information, documents, confirmations and/or representations furnished to us by the Board and M&G's management; and

(vi) other publicly available information which we deem to be relevant.

We have relied on the Board and M&G's management to take due care to ensure that all information, documents, confirmations and representations provided to us to facilitate our evaluation of the Proposed Issuance and which had been used, referred to and/or relied upon in this IAL have been fully disclosed to us, are accurate, valid and complete in all material aspects.

The Board, save for DMA, has seen, reviewed and accepted this IAL. The Board, collectively and individually, accepts full responsibility for the accuracy and completeness of the information contained herein (save for the assessment, evaluation and opinion of Mercury Securities) and confirms, after having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts not contained in this IAL the omission of which would make any information in this IAL misleading.

The responsibility of the Board in respect of the independent advice and expression of opinion by Mercury Securities in relation to the Proposed Issuance is limited to ensuring that accurate information in relation to the M&G Group was provided to Mercury Securities for our evaluation of the Proposed Issuance and to ensure that all information in relation to the M&G Group that are relevant to Mercury Securities' evaluation of the Proposed Issuance have been completely disclosed to Mercury Securities and that there is no material fact the omission of which would make any information provided to Mercury Securities false or misleading.

We are satisfied that sufficient information has been disclosed to us in enabling us to formulate our recommendation. After making all reasonable checks, corroborating with independent sources where possible and to the best of our knowledge and belief, the information used is reasonable, accurate, complete and free from material omission. Notwithstanding that, Mercury Securities shall not be under any responsibility or liability for any misstatement of fact or from any omissions therein.

In rendering our advice, we have taken note of the pertinent matters which we believed are necessary and of importance to an assessment of the implications of the Proposed Issuance and therefore are of general concern to you to consider and form your views thereon. Notwithstanding the foregoing:

(i) it is not within our terms of reference to express any opinion on the legal, accounting and taxation issues relating to the Proposed Issuance; and

(ii) we have not given consideration to the specific investment objectives, financial situation, risk profile or particular needs of any individual shareholders or any specific group of shareholders. We recommend that any shareholder who is in doubt as to the action to be taken in relation to the Proposed Issuance in the context of his/her individual investment objectives, financial situation, risk profile or particular needs should consult his/her respective stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

Our advice should be considered in the context of the entirety of this IAL. Our evaluation and opinion as set out in this IAL are based on, amongst others, equity capital market, economic, industry, regulatory and other prevailing conditions, and the information/documents made available to us as at the LPD or such other period specified herein. Such conditions may change significantly over a short period of time. Accordingly, our evaluation and opinion expressed herein do not take into account the information, events or conditions arising after the LPD.

3. DECLARATION OF CONFLICT OF INTEREST AND OUR CREDENTIALS, EXPERIENCE AND EXPERTISE

Save for our current appointment as the Independent Adviser for the Proposed Issuance, we have not advised M&G in the capacity of principal adviser or independent adviser for any corporate exercise or have any professional relationship with M&G within the past 2 years preceding the LPD. Premised on the above, we confirm that we are not aware of any conflict of interest that exists or is likely to exist in relation to our role as the Independent Adviser for the Proposed Issuance.

We are a holder of a Capital Markets Services Licence issued by the Securities Commission Malaysia as a Principal Adviser who is permitted to carry on the regulated activity of advising on corporate finance under the Capital Markets and Services Act 2007. The corporate finance department of Mercury Securities supports clients in the areas of take-overs, mergers and acquisitions, initial public offerings, reverse takeovers, secondary equity issuance, capital markets coverage as well as independent advisory services. Our corporate finance team comprises experienced personnel with the requisite qualification and experience to provide, amongst others, independent advice and render opinion on fairness and reasonableness of transactions relating to acquisitions, disposals and take-over offers.

Our recent credentials and experience as an Independent Adviser include, amongst others, the following:

(i) independent adviser to the non-interested shareholders of Kumpulan Powernet Berhad ("**KPB**") in relation to the unconditional mandatory take-over offer by Dato' Dr. Ir. Mohd Abdul Karim bin Abdullah to acquire all the remaining ordinary shares in KPB not already owned by him, whereby our independent advice circular was issued on 4 November 2019;

(ii) independent adviser to the shareholders of SIG Gases Berhad in relation to the proposed disposal of its entire equity interest in Southern Industrial Gas Sdn Bhd, whereby our independent advice letter was issued on 26 September 2019;

(iii) independent adviser to the non-interested shareholders of Lien Hoe Corporation Berhad ("**Lien Hoe**") in relation to the conditional mandatory take-over offer by Christine Holding Sdn Bhd to acquire all the remaining ordinary shares in Lien Hoe not already owned by Christine Holding Sdn Bhd, the ultimate offeror and persons action in concert with them, whereby our independent advice circular was issued on 23 September 2019;

(iv) independent adviser to the non-interested shareholders of Dayang Enterprise Holdings Bhd in relation to the proposed subscription of new redeemable convertible preference shares in Perdana Petroleum Berhad, whereby our independent advice letter was issued on 13 September 2019;

(v) independent adviser to the non-interested shareholders of Grand-Flo Berhad ("**Grand-Flo**") in relation to the unconditional mandatory take-over offer by YBG Yap Consolidated Sdn Bhd to acquire all the remaining ordinary shares in Grand-Flo not already owned by YBG Yap Consolidated Sdn Bhd, the joint ultimate offerors and persons acting in concert with them, whereby our independent advice circular was issued on 29 August 2019;

(vi) independent adviser to the non-interested shareholders of LTKM Berhad ("**LTKM**") in relation to the conditional voluntary take-over offer by Ladang Ternakan Kelang Sdn Bhd, YBJ Capital Sdn Bhd, Datuk Tan Kok, Datin Lim Hooi Tin, Tan Yee Boon, Tan Yee Siong and Tan Chee Huey to acquire all the remaining ordinary shares in LTKM not already held by them and any new ordinary shares in LTKM that may be issued and allotted prior to the closing date of the offer arising from the exercise of outstanding options under the employees' share option scheme of LTKM, whereby our independent advice circular was issued on 23 August 2019;

(vii) independent adviser to the non-interested shareholders of D.B.E. Gurney Resources Berhad ("**DBE**") in relation to the proposed joint development to jointly develop 499 pieces of leasehold land into a mixed development project involving the interests of related parties, whereby our independent advice letter was issued on 5 July 2019;

(viii) independent adviser to the non-interested shareholders of Tasek Corporation Berhad ("**Tasek**") in relation to the unconditional voluntary take-over offer by HL (Cement) Malaysia Sdn Bhd and Ridge Star Limited to acquire all the remaining ordinary shares (excluding treasury shares) and preference shares in Tasek not already held by them, whereby our independent advice circular was issued on 28 June 2019;

(ix) independent adviser to the non-interested shareholders of MAA Group Berhad ("**MAAG**") in relation to the proposed selective capital reduction and repayment exercise of MAAG pursuant to Section 116 of the Act, whereby our independent advice letter was issued on 3 May 2019;

(x) independent adviser to the non-interested shareholders of DBE in relation to the proposed participation in the development and assumption of the developmental rights to an ongoing development project involving the interests of related parties, whereby our independent advice letter was issued on 10 April 2019;

(xi) independent adviser to the non-interested shareholders of Suiwah Corporation Berhad ("**SCB**") in relation to the proposed selective capital reduction and repayment exercise of SCB pursuant to Section 116 of the Act, whereby our independent advice letter was issued on 8 April 2019;

(xii) independent adviser to the non-interested shareholders of Lion Industries Corporation Berhad in relation to the proposed disposal of its entire shareholding in Angkasa Amsteel Pte Ltd involving the interests of related parties, whereby our independent advice letter was issued on 31 January 2019; and

(xiii) independent adviser to the non-interested shareholders of Selangor Properties Berhad ("**SPB**") in relation to the proposed selective capital reduction and repayment exercise of SPB pursuant to Section 116 of the Act, whereby our independent advice letter was issued on 22 January 2019.

4. BACKGROUND INFORMATION

JMM, a 70%-indirect owned subsidiary of M&G, is principally involved in the provision of offshore support vessels ("**OSV**") for use by oil majors in offshore exploration and production activities. As at the LPD, the JMM Group owns and operates a fleet of 21 vessels comprising 19 AHTS vessels and 2 SSV.

The decline in crude oil prices since 2014 had resulted in low capital spending by many oil majors as well as delays and/or cancellation of new activities in relation to exploration, development, and production of oil and gas. As a consequence, demand for OSV had reduced leading to pressure on both the utilisation and charter rates of OSV, which resulted in the JMM Group incurring losses during the financial year/period under review as follows:

	Audited			**Unaudited**
	FYE 31 Dec 2016	**FYE 31 Dec 2017**	**16-month FPE 30 Apr 2019**	**3-month FPE 31 Jul 2019**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Revenue	144,748	107,747	179,651	40,392
Gross profit/(loss)	(9,163)	(47,124)	(99)	2,207
Loss before taxation	(125,220)	(373,372)	(115,463)	(14,331)
Loss after taxation	(96,380)	(338,116)	(115,430)	(14,331)
Net loss per Share (RM)	(4.63)	(16.24)	(5.54)	(0.69)
Fleet utilisation (%)	51	48	63	73

Encouragingly, with the gradual improvement in crude oil prices from a low of around United States Dollars ('**USD**") 26 per barrel in 2016 to approximately between USD58 per barrel and USD62 per barrel in October 2019 *(Source: Bloomberg)*, the JMM Group's fleet utilisation rate had increased from a low of 48% in FYE 31 December 2017 to 73% in FPE 31 July 2019, which resulted in a reduction in its operational losses. As at the LPD, the JMM Group has 16 secured contracts in hand with an aggregate order book balance of RM317 million.

4.1 Proposed Debt Restructuring

Notwithstanding the JMM Group's gradually improving financial performances, losses incurred in recent years had affected its ability to repay its borrowings incurred in financing its investment of vessels deployed for its operations.

Arising therefrom, the JMM Group proposes to undertake the Proposed Debt Restructuring to repay, settle and restructure the Outstanding Amounts to the Banks in the following manner:

		RM'000
(i)	Upfront cash payment to the Banks	50,000
(ii)	Proposed Issuance of JMM PS	150,000
(iii)	TF	723,221
		923,221

Pursuant to the terms of the JMM PS, the JMM PS Holders may at any time during the 10 years exchangeable period present and surrender the JMM PS to M&G in exchange for new M&G Shares at the exchange price of RM0.10 per M&G Share.

To facilitate the Proposed Debt Restructuring, the Promoters have agreed with the Banks to enter into the Call Option Agreements with the Banks so as to enable the Promoters:

(i) to maintain their direct and indirect shareholdings in M&G; and

(ii) to collectively retain significant influence in M&G,

in so far as the TF is made available to JMM, JMG 3 and JMG 4.

As set out above, part of the Outstanding Amounts totalling RM150.0 million are to be settled *via* the issuance of JMM PS to the Banks.

The Proposed Issuance is hence an integral part to the Proposed Debt Restructuring owning to the exchangeability of the JMM PS for new M&G Shares as detailed under Section 5.2 of this IAL.

The other details of the Proposed Debt Restructuring and Proposed Issuance are set out in Sections 2 and 3 of Part A of the Circular, which should be read in its entirety by you.

5. EVALUATION OF THE PROPOSED ISSUANCE

In arriving at our conclusion and recommendation in respect of the Proposed Issuance, we have assessed and evaluated the fairness and reasonableness of the Proposed Issuance in accordance with the relevant provisions relating to the Best Practice Guide in relation to Independent Advice Letters.

We have considered the following factors in our evaluation of the Proposed Issuance:

•	Rationale for the Proposed Issuance	Section 5.1
•	Salient terms of the JMM PS and Call Option	Section 5.2
•	Issue Price	Section 5.3
•	Effects of the Proposed Issuance	Section 5.4

5.1 Rationale for the Proposed Issuance

We note the rationale for the Proposed Issuance as set out in Section 6.1 of Part A of the Circular.

Our commentary:

The Proposed Issuance is undertaken to facilitate the Proposed Debt Restructuring, which in turn is crucial to ensure the going concern of the M&G Group failing which, the JMM Group may commit a material default on payment to the Banks. In such event, M&G would likely be classified as a Practice Note 17 Issuer pursuant to paragraph 8.04 of the MMLR ("**PN17 Issuer**") as:

(i) the JMM Group contributed approximately 77.2% to the M&G Group's revenue and 71.3% to the M&G Group's total assets for the FPE 30 April 2019; and

(ii) M&G and/or its wholly-owned subsidiary, AQL had provided corporate guarantees for more than 65% of the facilities in relation to the Outstanding Amounts to the Banks. Should M&G be classified as a PN17 Issuer and is unable to regularise its condition within the stipulated timeframe, M&G Shares may be suspended and maybe delisted from the Official List of Bursa Securities.

Further, the Proposed Issuance of JMM PS and Proposed Issuance would also allow the JMM Group to reduce the Outstanding Amounts by RM150.0 million without cash outlays, which is expected to conserve its cash resources for its operations.

At the same time, this will also enable the M&G Group to realise interest savings of approximately RM7.7 million per annum, leading to an increase in profitability of the M&G Group.

In addition, the issuance of the JMM PS and its subsequent exchange for new M&G Shares will increase JMM's and M&G's capital base and their respective shareholders' funds which were gradually depleted from losses incurred in recent years. Moving forward, the envisaged increase in shareholders' funds and corresponding reduction in gearing of the M&G Group shall allow the M&G Group to continue operating on a better financial footing.

We also note that pursuant to the terms of the JMM PS, the JMM PS are likely to be exchanged for new M&G Shares over a period of time, and thus, will minimise immediate dilution on M&G shareholders' shareholdings from the date of issuance of the JMM PS.

Meanwhile, the Call Option, which is also part of the Proposed Debt Restructuring, will allow the Promoters to remain in control over the M&G Group and align the Promoters' interests with that of the M&G Group. This would also facilitate in maintaining the stability of the management of the M&G Group as the Promoters, especially DMA, have been instrumental in the management of the M&G Group since his appointment as a Director of M&G in June 2008.

Premised on the above, we are of the view that the overall rationale for Proposed Issuance is reasonable.

5.2 Salient Terms of the JMM PS and Call Option

5.2.1 Salient Terms of the JMM PS

The following summarises our comments to salient terms of the JMM PS:

<table>
<tr><th>No.</th><th>Salient Terms of the JMM PS</th><th>Our Comments</th></tr>
<tr><td>1.</td><td><u>Issuer</u>

JMM</td><td>This term is reasonable as it entails JMM issuing its own securities to partially settle the Outstanding Amounts by itself and its wholly-owned subsidiaries namely JMG 3 and JMG 4.</td></tr>
<tr><td>2.</td><td><u>Issue Size</u>

RM150.0 million nominal value JMM PS to be issued as part of the Proposed Debt Restructuring</td><td>This term is reasonable as the issuance of the JMM PS only constitute approximately 16.2% of the Outstanding Amounts.</td></tr>
<tr><td>3.</td><td><u>Issue Price</u>

RM1.00 for each JMM PS</td><td rowspan="2">This term is reasonable as it is a common feature for preference shares and to ease the administration of the JMM PS.</td></tr>
<tr><td>4.</td><td><u>Form & Denomination</u>

The JMM PS shall be issued in registered form and in denomination of multiples of RM1.00 each.</td></tr>
<tr><td>5.</td><td><u>Listing</u>

(i) The JMM PS will not be listed on any stock exchange.

(ii) The M&G Shares to be issued to the JMM PS Holders in exchange for the JMM PS will be listed on Bursa Securities</td><td>(i) This term is reasonable as JMM is an unlisted entity.

(ii) This term is reasonable as the M&G Shares to be issued shall form the same series of securities as the existing M&G Shares.</td></tr>
<tr><td>6.</td><td><u>Redemption</u>

The JMM PS is irredeemable in nature.</td><td>This term is reasonable as the JMM PS is issued as partial settlement to the Outstanding Amounts in order to amongst others, conserve the cash resources of the M&G Group.</td></tr>
</table>

No.	Salient Terms of the JMM PS	Our Comments
7.	<u>Dividend</u> The JMM PS shall confer on the JMM PS Holders to a non-cumulative dividend at a rate to be determined by the Board of Directors of JMM, based on the capital for the time being paid up or credited as paid up on the JMM PS to be paid, subject to availability of distributable profits and applicable laws, provided always that the TF shall have been fully satisfied by JMM and its subsidiaries.	This term is reasonable as JMM is not to declare dividend to ordinary shareholders of JMM prior to the full settlement of the TF. Subsequent to the full settlement of the TF, the JMM PS Holders shall be entitled to dividend, which shall be paid in priority to the ordinary shareholders of JMM, subject to availability of JMM's distributable profits and applicable laws. Thus, M&G, who will be the eventual holder of the JMM PS will not be worse-off than the ordinary shareholders of JMM.
8.	<u>Voting Rights</u> JMM PS shall not carry any right to vote at any general meeting of JMM except for the right to vote in person or by proxy or by attorney at such meeting as a separate class in each of the following circumstances: (i) on a proposal that affects the rights attached to the JMM PS including but not limited to a proposal to reduce the dividend payable, to alter the priority of payment in any distribution of assets in the event of liquidation, dissolution or winding-up of JMM or to issue further preference shares ranking *pari passu* or in priority to the JMM PS (other than the CN-RPS); (ii) on a proposal to wind up JMM; and (iii) during the winding-up of JMM.	This term is reasonable as it is a common feature for preference shares.

No.	Salient Terms of the JMM PS	Our Comments
9.	Rights in the Event of Winding-up, Liquidation, Compromise and/or Arrangement The JMM PS shall rank in priority to the ordinary shares of JMM in any distribution of assets in the event of liquidation, dissolution or winding-up of JMM. In the event of liquidation, dissolution or winding-up of JMM, the surplus assets and profits that may be legally distributed to JMM's shareholders shall be distributed to the shareholders in the following order: (a) the JMM PS Holder shall be entitled to be paid, in priority to the holders of CN-RPS and holders of ordinary shares of JMM, any dividend in respect of the JMM PS; (b) the JMM PS Holder shall be paid in priority to the holders of CN-PRS and holders of the ordinary shares in JMM, the issue price of JMM PS, for each such sum JMM PS; if there are surplus assets and profits after the payment or distribution to the holders of CN-RPS and the JMM PS Holder as set out in sub-paragraphs (a) and (b) above, then all such remaining surplus assets shall be distributed amongst the holders of the ordinary shares of JMM.	This term is reasonable as it is typical for preference shares to rank above ordinary shares but below creditors when the issuer enters into a winding-up, liquidation, compromise and/or arrangement scenario.

No.	Salient Terms of the JMM PS	Our Comments
10.	<u>Rights to Exchange</u> The JMM PS Holders may at any time exchange the JMM PS into such number of new M&G Shares at the exchange price of RM0.10 per M&G Share[(1)]. *Note:* *(1) Notwithstanding the terms of the JMM PS, the Banks have undertaken, pursuant to the Call Option Agreements, not to exercise their rights to exchange the JMM PS held by them for new M&G Shares until the Outstanding Amounts have been fully settled.*	This term is reasonable as although JMM is only a 70%-indirect owned subsidiary of M&G, M&G and/or its wholly-owned subsidiary, AQL had provided corporate guarantees for more than 65% of the facilities in relation to the Outstanding Amounts to the Banks. As a result, in the event of a default by JMM and/or its subsidiaries, M&G and/or AQL would be obliged to repay the Outstanding Amounts. The timing for exchange for the JMM PS Holders who acquired the JMM PS from the Banks (i.e. at any time during the exchangeable period) is reasonable as the JMM PS Holders will be holding unlisted securities. This rights to exchange would enable the JMM PS Holders to exchange for M&G Shares which is listed on the Main Market of Bursa Securities. However, we note that the Banks have undertaken not to exchange the JMM PS for new M&G Shares until the Outstanding Amounts have been fully settled, which would delay the dilution of your shareholding in M&G until the JMM Group is on a better financial footing. Premised on our evaluation of the Issue Price in Section 5.3 of this IAL, the Issue Price is reasonable.
11.	<u>Exchangeable Period</u> Ten (10) years expiring on the 10^{th} anniversary of the issue date of the JMM PS ("**Final Exchange Date**"). During this period, the JMM PS is exchangeable at any time into fully paid new M&G Shares.	This term is reasonable as it allows the JMM PS to be surrendered to M&G over a period of time which will minimise immediate dilution effect in M&G.
12.	<u>Automatic Exchange</u> Any remaining JMM PS held by a JMM PS Holder on the Final Exchange Date shall be exchanged into new M&G Shares automatically at the exchange price of RM0.10 per M&G Share on the Final Exchange Date.	This term is reasonable as it allows M&G to eventually hold all the JMM PS, which would enable M&G to benefit from any dividend that may be declared by JMM, in priority over ordinary shareholders of JMM.

No.	Salient Terms of the JMM PS	Our Comments
13.	<u>Exchangeable Rate</u> RM1.00 nominal value of the JMM PS for such number of new M&G Shares representing an equivalent value based on the exchange price of RM0.10 per M&G Share.	Premised on our evaluation of the Issue Price in Section 5.3 of this IAL, the Issue Price is reasonable.
14.	<u>Ranking of the New M&G Shares arising from the Exchange</u> The M&G Shares to be issued pursuant to the exchange of the JMM PS will upon allotment and issue, rank *pari passu* in all respects with the existing M&G Shares in issue except that they will not be entitled to any dividends, rights, allotment and/or other distributions that may be declared, made or paid, the entitlement date of which is prior to the date of allotment and issuance of the new M&G Shares.	This term is reasonable as the M&G Shares to be issued will form the same series of securities as the existing M&G Shares.
15.	<u>Governing Law</u> The JMM PS will be governed under the laws of Malaysia.	This term is reasonable as the JMM PS is issued by a company incorporated in Malaysia.

Premised on the above and on an overall basis, we are of the view that the salient terms of the JMM PS are reasonable and not detrimental to you.

5.2.2 Salient Terms of the Call Option

The following summarises our comments to indicative terms of the Call Option:

No.	Salient Terms of the Call Option	Our Comments
1.	<u>JMM PS</u> Up to 150,000,000 JMM PS at the nominal value of RM1.00 each to be issued to the Banks pursuant to the Proposed Debt Restructuring	This term is reasonable as the amount is the same as the total value of the JMM PS to be issued to the Banks pursuant to the Proposed Issuance of JMM PS.
2.	<u>Grantor</u> Collectively, ABB, MIB and BPMB	This term is reasonable as the Banks are the primary JMM PS Holders. Hence, they have the right to howsoever deal with the JMM PS in their possession which includes, *inter-alia,* the Call Option.

No.	Salient Terms of the Call Option	Our Comments
3.	Grantee The Promoters	This term is reasonable as it is in line with the Banks' condition that the Promoters maintain their direct and indirect shareholdings in M&G throughout the tenure of TF. This would also allow the Promoters to reaffirm their commitment and confidence in the M&G Group.
4.	Call Option Each of the Promoters shall have the option to acquire such number of JMM PS under the Call Option Agreements from each Bank calculated on a pro-rata basis according to each Bank's percentage of the total number of JMM PS beneficially owned by such Bank at the time the Call Option is exercised by the relevant Promoter.	This term is not detrimental to you as it is meant to give pro-rata opportunity to the Banks to sell their respective JMM PS to the relevant Promoter at each time the Call Option is exercised by the relevant Promoter.
5.	Exercise Price	This term is reasonable as the minimum exercise price of RM1.00 is not lower than the Issue Price. The step-up mechanism is for the Promoters to compensate the Banks for holding onto the JMM PS over time, which is not detrimental to you.

Date of exercise of the Call Option	Exercise price per Option Share
From the date the JMM PS are issued to the Banks ("**Commencement Date**") to the end of the 3rd year from the Commencement Date.	RM1.00
From the 3rd anniversary of the Commencement Date to the end of the 5th year from the Commencement Date.	RM1.10
From the 5th anniversary of the Commencement Date to the end of the 7th year from the Commencement Date.	RM1.20
From the 7th anniversary of the Commencement Date to the end of the 9th year from the Commencement Date.	RM1.30
On the 9th anniversary of the Commencement Date to the end of the 10th year from the Commencement Date.	RM1.40

No.	Salient Terms of the Call Option	Our Comments
6.	<u>Option Period</u> 10 years commencing from the issue date of the JMM PS to the respective Banks.	This term is reasonable as it is consistent with the exchangeable period of the JMM PS.

Premised on the above and on an overall basis, we are of the view that the salient terms of the Call Option are reasonable and not detrimental to you.

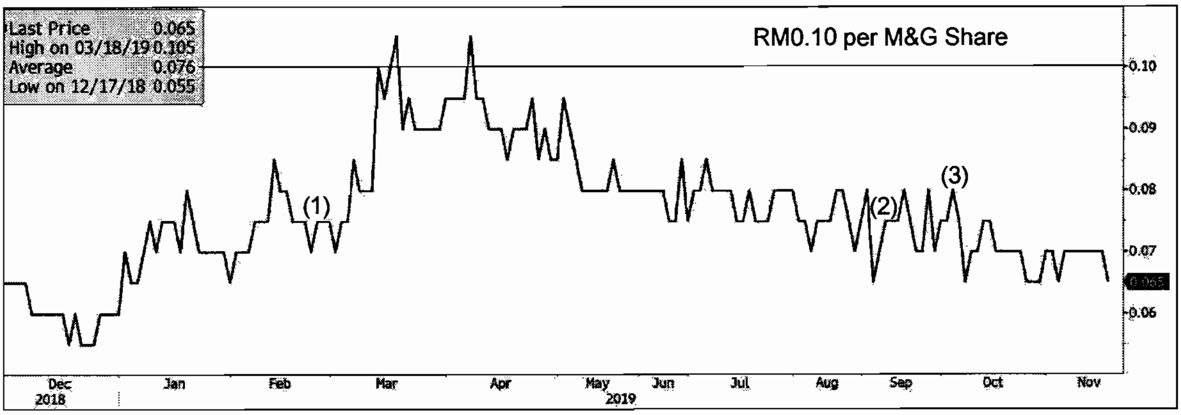
5.3 Issue Price

As set out in Section 3.1 of Part A of the Circular, we note that the Issue Price was determined based on the closing market prices of M&G Shares for the 1-month period prior to and including the Cute-Off Date, which ranges from RM0.06 per M&G Share to RM0.07 per M&G Share.

In evaluating the Issue Price, we have considered the following:

(i) Historical closing market prices

The closing market prices of M&G Shares for the past 1 year up to and including the LTD are shown in the chart below:



(Source: Bloomberg)

The significant events announced by M&G and which may have impacted the market prices of M&G Shares during the period under review are as follows:

Annotation	Date	Significant Event
(1)	25 February 2019	Announcement of 4th quarter results whereby M&G Group recorded a significantly lower loss after taxation of RM61.7 million
(2)	13 September 2019	JMM was awarded with a contract by Hess Exploration and Production Malaysia B.V. ("**Hess**") for the provision of a AHTS vessel, commencing on 11 July 2019 for a primary duration of 12 months with a primary contract value of RM12.9 million, together with an option for Hess to extend the contract for an additional 6 months with a contract value of RM6.5 million

Annotation	Date	Significant Event
(3)	2 October 2019	JMM was awarded with a contract by PETRONAS Carigali Sdn Bhd ("**PCSB**") for the provision of a AHTS vessel, commencing on 16 September 2019 for a primary duration of 709 days with a primary contract value of RM17 million, together with an option for PCSB to extend the contract up to 2 additional years

Based on the chart above, we note that the Issue Price is higher than the closing market prices of M&G Shares in the past 1 year up to and including the LTD, except on 5 April 2019 and 18 March 2019 which traded at RM0.105.

(ii) Premium over closing market price and VWAMPs

Further, we note that the Issue Price is at a premium between 53.8% and 22.9% over the following closing market price and VWAMPs of M&G Shares:

	Market Price/ VWAMP	**Premium of the Issue Price over the Market Price/ VWAMP**	
	RM	**RM**	**%**
Closing market price of M&G Shares as at the LTD	0.065	0.035	53.8
VWAMP of M&G Shares for the following periods up to and including the LTD:			
5-day	0.069	0.031	45.0
1-month	0.070	0.030	43.8
3-month	0.073	0.027	37.7
6-month	0.075	0.025	33.1
12-month	0.081	0.019	22.9

(Source: Bloomberg)

Based on the above analyses, we are of the view that the Issue Price is fair as it is generally higher than the historical market prices of M&G Shares in the past 1 year up to and including the LTD.

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5.4 Effects of the Proposed Issuance

We note the following effects of the Proposed Issuance as set out in Section 11 of Part A of the Circular:

Effects of the Proposed Issuance	Our Comments
Share capital	The Proposed Issuance will result in an increase in M&G's share capital due to the issuance of the new M&G Shares in exchange for the JMM PS. We note that there would be a dilution in your shareholding interest in M&G as a result of the issuance of new M&G Shares in exchange for the JMM PS. However, you should note that the objective of the Proposed Issuance is to partially settle the Outstanding Amount, which in turn would result in a reduction of the cash outlay required to settle the Outstanding Amount. In addition, upon full settlement of the TF, the JMM PS held by M&G would provide the M&G Group with additional dividend income from JMM, if any, which shall be paid in priority to the ordinary shareholders of JMM, subject to availability of JMM's distributable profits and applicable laws.
Substantial shareholders' shareholdings	Pursuant to the Call Option Agreements, the collective shareholdings of the Promoters and persons connected to them are expected to be maintained before and after the Proposed Issuance. We note that should the Promoters only acquire such number of JMM PS to maintain their direct and indirect shareholdings in M&G, the Banks will collectively hold approximately 31.7% equity interest in M&G after the completion of the Proposals. Save for the Promoters, the remaining substantial shareholder, namely Johan Zainuddin bin Dzulkifli will have his direct interest diluted from 5.57% to 1.81%.
NA and gearing	Proposed Issuance has no effect on NA and gearing of the M&G Group as the new M&G Shares to be issued pursuant to the Proposed Issuance is in exchange for the JMM PS issued, which had been accounted as equity securities. We note that upon completion of the Proposed Issuance of JMM PS, NA of the Group will increase by RM155.5 million mainly as a result of the issuance of JMM PS and the recognition of a gain on restructuring. However, the NA per Share of the M&G Group will be correspondingly diluted as a result of the increase in the number of new M&G Shares in issue upon the surrendering of the JMM PS to M&G in exchange for new M&G Shares. We also note that upon completion of the Proposed Issuance of JMM PS, gearing of the Group will reduce from 10.90 times as at 30 April 2019 to 3.08 times, mainly due to the aforementioned increase in NA and the corresponding partial repayment to Outstanding Amounts by RM150.0 million.
Earnings and EPS	The Proposed Issuance is expected to have a positive impact on the consolidated earnings of the M&G Group for the financial year ending 30 April 2020 arising from the restructuring gain of approximately RM58.0 million and interest saving of approximately RM2.0 million for 3 months up to 30 April 2020 (assuming the Proposed Issuance is completed in January).

Effects of the Proposed Issuance	Our Comments
	Moving forward, the Proposed Issuance would result in interest savings of approximately RM7.65 million per annum (based on the effective interest rate of the TF of 5.1% per annum). However, the EPS of the M&G Group will be correspondingly diluted as a result of the increase in the number of new M&G Shares in issue upon surrendering the JMM PS to M&G in exchange for new M&G Shares.

Premised on the above, we are of the view that the effects of the Proposed Issuance, taken as a whole, are reasonable and not detrimental to you.

6. PROSPECTS OF THE JMM GROUP

We noted the overview and outlook of the Malaysian economy and the oil and gas industry as set out in Sections 7.1 and 7.2 of Part A of the Circular together with the prospects of the JMM Group as set out in Section 7.3 of Part A of the Circular.

During the 16-month FPE 30 April 2019, the JMM Group had secured 8 new long term contracts and extended 2 of its contracts. The long-term contracts typically last approximately 3 years whereas the extensions were for a period of 1 year. Subsequently, the M&G had announced that the JMM Group had secured an additional 3 contracts (of which 2 are long term contracts) with an aggregate value of RM50.8 million. With these new contracts, the JMM Group had achieved a utilisation rate of 62% with the deployment of 17 vessels out of its fleet of 21 vessels. As at the LPD, the order book balance of JMM is approximately RM317 million with a total of 16 secured contracts in hand.

Also taking into consideration the vessel demand indicated in the Petronas Activity Outlook reports, especially for larger AHTS and the JMM Group having one of the largest fleet of AHTS with bollard pull capacity of above 100 MTBP, the JMM Group is positioned to capitalise on the demand from this segment.

Depending on the development in the market in the next 3-5 years, the management of JMM would take necessary steps to ensure efficient usage of its current fleet of vessels and as the utilisation rate of the vessels are still not optimal, the management of the JMM Group is not planning to expand its current fleet.

The increase in utilisation rate of the vessels will drive the increase in revenue. In addition, the management of the JMM Group had noted that there is an uptrend of DCR in most segments in the Asia Pacific region, which will bode well for the JMM Group moving forward.

Premised on the positive outlook of the domestic economy and oil and gas industry as well as the order book balance of the JMM Group, the Board of M&G is optimistic of the prospects of the JMM Group.

7. RISKS FACTORS IN RELATION TO THE PROPOSED ISSUANCE

In evaluating the Proposed Issuance, you are advised to consider carefully the potential risks factors as set out in Section 8 of Part A of the Circular.

Upon completion of the Proposed Issuance, the M&G Group may be exposed to the risks of non-compliance with Public Spread Requirement, in the event the exchange of JMM PS with new M&G Shares results in the then substantial shareholders' shareholding in M&G exceeding 75% of the enlarged issued share capital of M&G.

We note from Section 11 of Part A of the Circular that in the event of full exchange of the JMM PS into new M&G Shares by the Promoters and/or the Banks, the public shareholding spread would reduce from 38.8% (as at the LPD) to 12.6%.

In the event that the Public Spread Requirement is not met, the Company will engage the substantial shareholders to reduce their shareholdings, or undertake new issuance of M&G Shares to independent third parties to rectify such non-compliance.

The Promoters may assign or transfer their rights under the Option Agreement to third parties. In exercising such rights, the Promoters can facilitate M&G's compliance with the Public Spread Requirement.

We are of the view that the measure to be undertaken to address the risk of non-compliances with Public Spread Requirement is reasonable in view that the JMM PS can be gradually surrendered and exchange for new M&G Shares over a 10-year period.

Although measures may be in place to manage the risks associated with the Proposed Issuance, no assurance can be given that such risk factors will not crystallise and give rise to material and adverse impact on the business, financial performance or prospects of the Group and/or the continued trading of the M&G Shares on the Main Market of Bursa Securities.

8. CONCLUSION AND RECOMMENDATION

Before arriving at the decision to vote on the resolution pertaining to the Proposed Issuance at M&G's forthcoming EGM, it is important that you consider all relevant and pertinent factors in this IAL carefully as well as those highlighted by the Board in its letter to shareholders as set out in Part A of the Circular.

After taking into consideration the pertinent factors above and on an overall basis, we are of the opinion that, on the basis of the information available to us, the Proposed Disposal is **FAIR AND REASONABLE** insofar as you are concerned and is not detrimental to you.

Accordingly, we recommend that you to **VOTE IN FAVOUR** of the special resolution pertaining to the Proposed Issuance to be tabled at M&G's forthcoming EGM.

Yours faithfully
For and on behalf of
MERCURY SECURITIES SDN BHD

CHEW SING GUAN
Managing Director

WINNIE LAU
Director
Corporate Finance

1. History and principal activities

JMM (Company No: 198001002390 (56173-U)) was incorporated as a private limited company in Malaysia on 14 March 1980 under the Companies Act, 1965 (deemed registered under the Act) as Jackson Marine (Malaysia) Sdn Bhd and commenced operations in 1982. It subsequently assumed its present name on 20 February 1987.

As at the LPD, the issued share capital of JMM is RM20,825,017.00 comprising 20,825,017 ordinary shares.

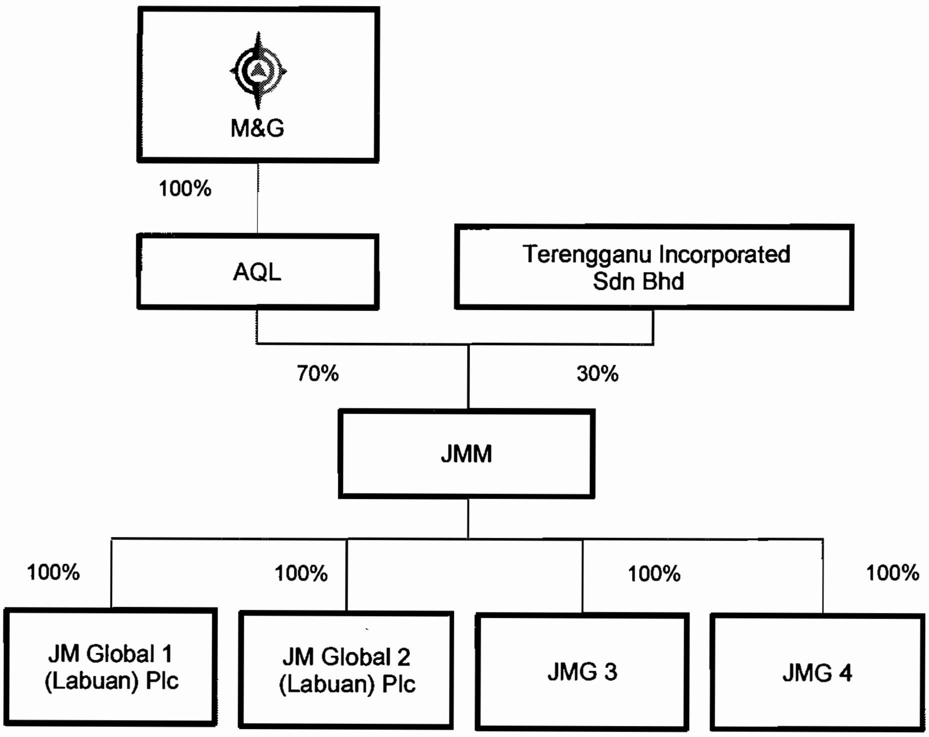
The JMM Group is principally involved in the provision of offshore marine support services. For over 30 years, JMM has been providing offshore support vessel services to oil majors such as PETRONAS Carigali Sdn Bhd, ExxonMobil Exploration and Production Malaysia Inc. and Sarawak Shell Bhd.

As at the LPD, JMM owns and operates a fleet of 21 vessels comprising 19 AHTS Vessels and 2 SSVs. In addition, JMM also operates several vessels owned by third parties. AHTS vessels undertake anchor handling functions (positioning and retrieval of drilling rig anchors) and towing activities (repositioning of rigs to other drilling locations) in addition to transporting equipment and cargoes to and from offshore installations whilst SSV are vessels specifically designed to transport equipment and cargoes to and from offshore installations. JMM operates two classes of AHTS, namely 60 MTBP AHTS which are the standard AHTS deployed in shallow waters, and 120 MTBP AHTS equipped with Dynamic Positioning System that support both shallow and deep water operations.

The utilisation rate of JMM's vessels for the past 3 financial years/period is as follows:

	FPE 2019	FYE 2017	FYE 2016
Utilisation rate	62.5%	48%	51%

As at the LPD, the corporate structure of JMM Group is as follows:



2. Substantial shareholders

As at the LPD, the substantial direct and indirect shareholders of JMM and their respective shareholdings are set out below:

Name	Nationality/ Country of incorporation	Direct		Indirect	
		No. of ordinary shares in JMM	%	No. of ordinary shares in JMM	%
ABB Nominee (Tempatan) Sdn. Bhd (Pledged securities account for AQL)	Malaysia	14,577,517	70	-	-
Terengganu Incorporated Sdn Bhd	Malaysia	6,247,500	30	-	-
M&G	Malaysia	-	-	(1)14,577,517	70
ARA	Malaysian	-	-	(2)14,577,517	70
DMA	Malaysian	-	-	(3)14,577,517	70

Notes:

(1) *Deemed interest pursuant to Section 8 of the Act, by virtue of its shareholding in AQL.*

(2) *Deemed interest pursuant to Section 8 of the Act, by virtue of his direct shareholdings in M&G.*

(3) *Deemed interest pursuant to Section 8 of the Act, by virtue of his direct and indirect shareholdings in M&G through Bijak Permai Sdn Bhd and Infra Bumitek Sdn Bhd.*

3. Directors and their shareholdings

As at the LPD, the directors of JMM and their respective shareholdings are set out below:

Directors	Designation/ Nationality	Direct		Indirect	
		No. of ordinary shares in JMM	%	No. of ordinary shares in JMM	%
ARA	Executive Vice – Chairman / Malaysian	-	-	(1)14,577,517	70
Dato' Haji Mokhtar bin Nong	Director/ Malaysian	-	-	-	-
Dato' Haji Adzlan bin Mohd Dagang	Director/ Malaysian	-	-	-	-
Dato' Haji Osman bin Muda	Director/ Malaysian	-	-	-	-
YB. Tuan Haji Ahmad Amzad bin Mohamed @ Hashim	Director/ Malaysian	-	-	-	-

Note:

(1) *Deemed interest pursuant to Section 8 of the Act, by virtue of his direct shareholdings in M&G.*

4. Subsidiaries of JMM

The subsidiaries of JMM are as follows:

Entity	Date and place of incorporation	Issued share capital	Effective equity interest (%)	Principal activities
JM Global 1 (Labuan) Plc	Malaysia	USD5,539,025	100	Provision of offshore marine support services
JM Global 2 (Labuan) Plc	Malaysia	USD5,401,829	100	Provision of offshore marine support services
JM Global 3 (Labuan) Plc	Malaysia	USD5,827,806	100	Provision of offshore marine support services
JM Global 4 (Labuan) Plc	Malaysia	USD5,827,806	100	Provision of offshore marine support services

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5. Summary of financial information of JMM

The summary of the audited consolidated financial statements of JMM for the past 3 financial years up to the 16-month FPE 30 April 2019 and unaudited financial result for the 3-month FPE 31 July 2019 are set out below:

	<------------Audited------------>			Unaudited
	FYE 31 December		16-month FPE 30 April[(1)]	3-month FPE 31 July 2019
	2016	2017	2019	2019
	RM'000	RM'000	RM'000	RM'000
Revenue	144,748	107,747	179,651	40,392
Gross profit/(loss)	(9,163)	(47,124)	(99)	2,207
Gross profit margin	(6.3)%	(43.7)%	(0.1%)	5.5%
(Loss)/ Profit before tax	(125,220)	(374,372)	(115,463)	(14,331)
(Loss)/ Profit after tax	(96,380)	(338,116)	(115,430)	(14,331)
Gross EPS (RM)	(0.4)	(2.3)	(-)^	0.1
Net (Loss per share)/ EPS (RM)	(4.6)	(16.2)	(5.5)	(0.7)
Fleet utilisation	51%	48%	63%	73%
Issued share capital	20,825	20,825	20,825	20,825
Shareholders' funds/ NA	109,291	(228,825)	(347,078)	(361,409)
NA per share	5.2	(11.0)	(16.7)	(17.4)
Current ratio	11.3%	13.4%	5.3%	42.8%
Total borrowings	928,513	927,179	957,655	949,362
Gearing ratio (%)	90.3	128.3	147.9	155.2

Notes:

^ *Negligible*

(1) *The financial year end of JMM has been changed from 31 December to 30 April. Consequently, the financial statements are prepared for a period of 16 months from 1 January 2018 to 30 April 2019.*

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Commentaries on the financial information are as follows:

FYE 31 December 2016 (Audited)

The FYE 31 December 2016 ("**FY 2016**") comprised of 12 months period from 1 January to 31 December 2016 while the immediate preceding financial period comprised of 17 months period from 1 August 2014 to 31 December 2015 due to change in financial year end. Accordingly, comparisons of financial results between these two periods are not meaningful.

During FY 2016, JMM's financial results were starting to be affected by the continuing weak market condition in the oil and gas industry, as the weak oil price trend continued. Consequently, many oil and gas companies scaled down their offshore exploration activities, thus creating a market oversupply in OSV sector. The impact to the OSV sector is two-fold - namely reduced vessel utilisation in line with weak charter activities, and reduced charter rates arising from intense market competition.

In line with the weak charter activities, JMM recorded lower vessel utilisation of 51% in FY 2016 compared to 80% in the preceding period. In relation to average DCR, JMM recorded a marginal decrease in the rates compared to the preceding period given most of the charters performed during FY 2016 were related to long term charter contracts entered prior to the oil and gas meltdown. Accordingly, JMM recorded a lower revenue of RM144.7 million in FY 2016 than RM400.8 million in the preceding period, representing a 49% reduction on annualised basis.

Given the business of JMM is capital intensive in nature, JMM's results were also adversely affected by the high fixed operating costs related to vessel depreciation and vessel dry-docking amortisation, in addition to the revenue reduction. Accordingly, JMM recorded a gross loss of RM9.2 million representing -6.3% gross profit margin in FY 2016, representing a significant reduction from RM140.9 million gross profit and gross profit margin of 35% in the preceding period.

Taking into account RM70.2 million finance costs and RM34.8 million vessel impairment loss, JMM recorded loss before tax of RM125.2 million during FY 2016.

FYE 31 December 2017 (Audited)

As the weak market condition in the OSV sector continued, JMM's vessel utilisation eroded further to 48% in the FYE 31 December 2017 ("**FY 2017**") from 51% in FY 2016. Further, average DCR decreased by 38% in FY 2017 as pre-2016 long term charter contracts expired. Consequently, JMM recorded a 25.6% lower revenue of RM107.7 million than RM144.7 million in FY 2016.

The significant reduction in revenue affected the gross profit margin, as fixed cost in the form of vessel depreciation and dry-docking amortisation remained high. Consequently, gross profit margin dropped further from -6.3% in FY 2016 to -43.7% in FY 2017.

Further, as a result of continued weak market condition in FY 2017, the market value of JMM's vessels deteriorated significantly culminated by RM250 million vessel impairment loss. In line with the above and taking into account RM65.7 million finance costs, JMM recorded higher loss before tax of RM374.4 million in FY 2017 compared to RM125.2 million in the preceding year.

FPE 30 April 2019 (Audited)

During the FPE 30 April 2019 ("**FPE 2019**"), JMM changed its financial year-end from 31 December to 30 April. Accordingly, the financial period comprised of 16 months period from 1 January 2018 to 30 April 2019.

During FPE 2019, charter activities improved in line with an upsurge in the domestic oil and gas production activities as oil prices continue to improve. As a result, vessel utilisation improved to 62.5% in FPE 2019 compared to 48% in the preceding year. During the period, JMM secured 8 new long-term contracts for a period of 3 years with options to renew for further 2 years. In addition, JMM secured an extension for 2 vessels for a period of 1-year period.

On the other hand, average DCR eroded further by 8.4% in FPE 2019 mainly due to busier charter activities of the 60M AHTS compared to the bigger and more expensive 70M AHTS vessels. Taking into account the longer period and increase in vessel utilisation in FPE 2019, JMM recorded a higher revenue of RM179.7 million and consequently an improved gross loss of RM99,000 compared to RM107.7 million revenue and RM47.1 million gross loss recorded in the preceding year respectively.

In line with improving charter activities, JMM recorded a significantly lower vessel impairment loss of RM17.7 million in FPE 2019, which is mainly in relation to the 4 remaining laid-up vessels, compared to RM250 million impairment recorded in the preceding year. Taking into account RM86.3 million finance cost, JMM recorded lower loss before taxation of RM115.5 million in FPE 2019 compared to RM374.4 million in the preceding year.

Unaudited result for 3-month FPE 31 July 2019

During the three-month period ended 31 July 2019 ("**Q1 FY 2020**"), the uptrend in charter activities continued as reflected by increasing fleet utilisation from 63% in FPE 2019 to 73% in Q1 FY 2020 while average DCR remained in line with FPE 2019 level. In line with the improved utilisation, JMM recorded revenue of RM40.4 million, representing a 20% increase on an annualised basis.

In addition, contributions from the revenue improvement and reduction in vessel depreciation following the impairment loss recognised in prior years help JMM to record gross profit of RM2.2 million in Q1 FY 2020.

Further, JMM did not record any vessel impairment loss in Q1 FY 2020 as it plans to reactivate all the 4 laid-up vessels in the immediate term. In view of the above, JMM recorded loss before tax of RM14.3 million during Q1 FY 2020.

There is no accounting policies adopted which are peculiar to the corporation / business because of the nature of the business or the industry it is involved in, as well as the effects of such policies on the determination of income or financial position. In addition, there is no audit qualification for the financial statements in any of the financial years under review.

6. MATERIAL COMMITMENTS AND CONTINGENT LIABILITIES

6.1 Material commitments

Save as disclosed below, the directors of JMM Group are not aware of any material commitments contracted or known to be contracted by JMM Group which may have a material impact on the financial position of JMM Group:

	RM'000
Approved and contracted for vessel and equipment^	10,500
Approved but not contracted for^	10,000

Note:

^ *In relation to docking of vessels.*

6.2 Contingent liabilities

As at the LPD, the directors of JMM Group are not aware of any contingent liabilities which, upon becoming enforceable, may have a material impact on the financial position of JMM Group.

7. MATERIAL CONTRACTS

JMM Group has not entered into any material contracts (not being contracts entered into in the ordinary course of business) during the 2 years preceding the date of this Circular.

8. MATERIAL LITIGATION, CLAIMS OR ARBITRATION

As at the LPD, JMM Group is not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, which has a material effect on the financial position or business of JMM Group and its directors are not aware of any proceedings, pending or threatened, against JMM Group or of any fact likely to give rise to any proceedings which might materially and adversely affect the position or business of JMM Group.

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1. FINANCIAL PERFORMANCE AND POSITION OF M&G GROUP

The summary of the M&G Group's financial performance and position for the 16-month FPE 30 April 2019 as well as the 3-month FPE 31 July 2019 are as follows:

	Audited	Unaudited
	FPE 30 April 2019	FPE 31 July 2019
	RM'000	RM'000
Revenue	232,753	53,508
Gross profit /(loss)	8,389	5,471
Gross profit margin	3.6%	10.22%
(Loss)/ Profit before tax	(108,142)	(12,924)
(Loss)/ Profit after tax	(105,728)	(13,015)
(Loss)/Profit attributable to:-		
- owners of the Company	(71,477)	(8,434)
- non-controlling interests	(34,251)	(4,581)
Issued share capital	270,003	270,003
Shareholders' funds/ NA	91,402	82,885
Total borrowings	996,128	985,487
NA per share (sen)	12.6	11.5
Current ratio	18.7%	235.6%
Gearing ratio (times)	10.9	11.9

Commentaries on the financial performance and financial position of M&G Group are as follows:

(i) FPE 31 July 2019

During the first quarter of FYE 30 April 2020, the Group recorded RM53.51 million revenue, supported by robust charter activities by both the Upstream and Downstream divisions which recorded 72% and 74% vessel utilization respectively.

During the quarter, the Upstream Division deployed 21 vessels including 4 third party vessels. While the charter activities have gradually increased since 2017 due to higher oil and gas production activities, vessel charter rates have remained at a relatively low level in the past few years as a result of the continuing oversupply of offshore support vessels. Accordingly, despite recording commendable revenue of RM40.4 million, the Upstream Division recorded a loss before taxation of RM14.3 million during the quarter.

Meanwhile, the Downstream Division benefited from its acquisition of 3 tankers in the prior year, and deployed 4 out of its 5 available tankers. Whilst the Downstream Division only generating 25% of the Group's revenue during the quarter, the division had recorded a profit before tax of RM1.9 million.

(ii) FPE 30 April 2019

During the FPE 30 April 2019, the Group changed its financial period from 31 December to 30 April. Accordingly, the period comprised of 16 months period from 1 January 2018 to 30 April 2019.

The Group's revenue had increased by RM80.7 million or 53% for the current period as compared to the period ended 31 December 2017. On an annualized basis, the Group's revenue has increased by 15%, which was mainly due to higher charter activities of the Upstream Division driven by higher oil and gas production activities and the acquisition of new oil tankers by the Downstream Division.

Despite that direct expenses grew by RM26 million or 13% from RM198.4 million in the preceding year to RM224.4 million during the current period, the Group had recorded a profit margin of 3.6%, which represents a substantial improvement as compared to the previous year's profit margin of -30.49%.

Given the Group's vessel impairment loss recognised in the preceding year, the vessel depreciation and dry-docking amortisation has also been proportionately reduced for the remainder of the vessels' economic lives. Consequently, the Group turned around from recording an operating loss of RM46.4 million in the preceding year to an operating profit of RM8.4 million during the current financial period. In line with the higher charter activities, the Group recognised a much lower vessel impairment loss of RM17.8 million as compared to RM250 million in the previous year. Consequently, the Group recorded a lower loss before taxation of RM108.1 million during the current period as compared to RM367.9 million in the previous year.

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JASA MERIN (MALAYSIA) SDN. BHD.

(Company No. 198001002390 (56173-U))
(Incorporated in Malaysia)

Accountants' Report on the Consolidated Financial Statements

JASA MERIN (MALAYSIA) SDN. BHD. AND ITS SUBSIDIARIES

(Company No. 198001002390 (56173-U))
(Incorporated in Malaysia)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	30.4.2019 RM'000	31.12.2017 RM'000	31.12.2016 RM'000
Assets				
Property, vessels and equipment	4	685,359	780,262	1,118,957
Total non-current assets		685,359	780,262	1,118,957
Inventories	5	6,890	5,953	1,206
Trade and other receivables	6	31,344	22,149	35,240
Prepayments		1,457	2,413	3,624
Tax recoverable		83	11	-
Cash and cash equivalents	7	16,354	4,126	3,718
Total current assets		56,128	34,652	43,788
Total assets		741,487	814,914	1,162,745
Equity				
Share capital	8	20,825	20,825	20,825
(Accumulated loss)/Retained earnings		(392,382)	(274,129)	63,987
Capital contribution	8	24,479	24,479	24,479
Total equity		(347,078)	(228,825)	109,291
Liabilities				
Loans and borrowings	9	30,000	785,369	631,104
Deferred tax liabilities	10	-	-	36,296
Total non-current liabilities		30,000	785,369	667,400
Loans and borrowings	9	927,655	141,810	297,409
Trade and other payables	11	130,910	116,560	88,609
Tax payable		-	-	36
Total current liabilities		1,058,565	258,370	386,054
Total liabilities		1,088,565	1,043,739	1,053,454
Total equity and liabilities		741,487	814,914	1,162,745

JASA MERIN (MALAYSIA) SDN. BHD. AND ITS SUBSIDIARIES
(Company No. 198001002390 (56173-U))
(Incorporated in Malaysia)

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	1.1.2018 to 30.4.2019 RM'000	1.1.2017 to 31.12.2017 RM'000	1.1.2016 to 31.12.2016 RM'000
Revenue	12	179,651	107,747	144,748
Direct costs		(179,750)	(154,871)	(153,911)
Gross loss		(99)	(47,124)	(9,163)
Other income		2,591	-	358
Administrative expenses		(14,206)	(10,699)	(11,814)
Other expenses		(17,770)	(250,046)	(34,795)
Net gain/(loss) on impairment of financial instruments		317	(1,008)	-
Results from operating activities		(29,167)	(308,877)	(55,414)
Finance income	13	28	168	411
Finance costs	14	(86,324)	(65,663)	(70,217)
Net finance costs		(86,296)	(65,495)	(69,806)
Loss before tax		(115,463)	(374,372)	(125,220)
Tax benefit	15	33	36,256	28,840
Loss for the period/year, representing total comprehensive loss for the period/year	16	(115,430)	(338,116)	(96,380)

JASA MERIN (MALAYSIA) SDN. BHD. AND ITS SUBSIDIARIES
(Company No. 198001002390 (56173-U))
(Incorporated in Malaysia)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital RM'000	Retained Earnings/ (Accumulated Losses) RM'000	Capital contribution RM'000	Total RM'000
At 1 January 2016	20,825	160,367	24,479	205,671
Total comprehensive loss for the year	-	(96,380)	-	(96,380)
At 31 December 2016/1 January 2017	20,825	63,987	24,479	109,291
Total comprehensive loss for the year	-	(338,116)	-	(338,116)
At 31 December 2017/1 January 2018, as previously reported	20,825	(274,129)	24,479	(228,825)
Adjustment on initial application of MFRS 9, net of tax	-	(2,823)	-	(2,823)
At 1 January 2018, *restated*	20,825	(276,952)	24,479	(231,648)
Total comprehensive loss for the period	-	(115,430)	-	(115,430)
At 30 April 2019	20,825	(392,382)	24,479	(347,078)
	Note 8		Note 8	

JASA MERIN (MALAYSIA) SDN. BHD. AND ITS SUBSIDIARIES

(Company No. 198001002390 (56173-U))
(Incorporated in Malaysia)

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	1.1.2018 to 30.4.2019 RM'000	1.1.2017 to 31.12.2017 RM'000	1.1.2016 to 31.12.2016 RM'000
Cash flows from operating activities				
Loss before tax		(115,463)	(374,372)	(125,220)
Adjustment for:				
Depreciation of property, vessels and equipment	4	94,221	95,900	101,836
Finance cost	14	86,324	65,663	70,217
Finance income	13	(28)	(168)	(411)
Gain on disposal of property, vessels and equipment	16	(20)	-	-
Gain on disposal of a subsidiary		-	-	(157)
Impairment loss of vessels	4	17,770	250,046	34,795
(Reversal of)/Impairment loss on trade and other receivables	16	(317)	1,008	-
Written off of trade receivables	16	12	-	-
Operating profit before changes in working capital		82,499	38,077	81,060
Change in inventories		(937)	130	8
Change in trade and other receivables		(10,757)	8,417	16,690
Change in trade and other payables		9,118	27,951	(4,275)
Cash generated from operations		79,923	74,575	93,483
Tax paid		(112)	(87)	(95)
Tax refund		73	-	-
Net cash from operating activities		79,884	74,488	93,388
Cash flows from investing activities				
Purchase of property, vessels and equipment	4	(17,088)	(7,251)	(10,631)
Interest received		28	168	411
(Increase)/Decrease in pledged deposits		(114)	592	5,113
Proceeds from disposal of property, vessels and equipment		20	-	-
Proceed from disposal of a subsidiary		-	-	11
Net cash used in investing activities		(17,154)	(6,491)	(5,096)

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CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

	Note	1.1.2018 to 30.4.2019 RM'000	1.1.2017 to 31.12.2017 RM'000	1.1.2016 to 31.12.2016 RM'000
Cash flows from financing activities				
Drawdown of borrowings		-	-	32,611
Interest paid		(44,294)	(62,377)	(64,123)
Repayment of borrowings		(6,322)	(4,620)	(70,522)
Net cash used in financing activities		(50,616)	(66,997)	(102,034)
Net increase in cash and cash equivalents		12,114	1,000	(13,742)
Cash and cash equivalents at beginning of period/year		2,807	1,807	15,549
Cash and cash equivalents at end of period/year	(i)	14,921	2,807	1,807

(i) Cash and cash equivalents

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

	Note	30.4.2019 RM'000	31.12.2017 RM'000	31.12.2016 RM'000
Cash and bank balances	7	12,815	908	468
Deposits placed with licensed bank	7	3,539	3,218	3,250
		16,354	4,126	3,718
Less: Pledged deposits	7	(1,433)	(1,319)	(1,911)
		14,921	2,807	1,807

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NOTES TO THE FINANCIAL STATEMENTS

Jasa Merin (Malaysia) Sdn. Bhd. (the "Company") is a private limited liability company, incorporated and domiciled in Malaysia. The addresses of the principal place of business and registered office of the Company are as follows:

Principal place of business
No. 7776, Jalan Kubang Kurus
24000 Kemaman
Terengganu Darul Iman

Registered office
102-B, Tingkat 1
(Bersebelahan Paya Bunga Sentral)
Jalan Tengku Embong Fatimah
20200 Kuala Terengganu
Terengganu Darul Iman

The Company is principally engaged in provision of offshore support vessels and its related services in the oil and gas industry. There has been no significant change in the nature of these activities during the financial years.

The financial statements of the Company have been prepared for inclusion in the circular of Marine & General Berhad ("M&G") in connection with the:

(I) Proposed issuance of 1.5 billion new ordinary shares in M&G ("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 JMM ("JMM PS") ("Proposed Issuance"); and

(II) Proposed subscription of up to 150.0 million new cumulative non-convertible redeemable preference shares in JMM for a total subscription of RM150.0 million ("Proposed Subscription"),

(Collectively (I) and (II) above are referred to as the "Proposals")

and for no other purposes.

1. Basis of preparation

(a) Statement of compliance

The consolidated financial statements of Jasa Merin (Malaysia) Sdn. Bhd. And its subsidiaries (the "Group") have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs") and International Financial Reporting Standards.

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1. Basis of preparation (continued)

(a) Statement of compliance (continued)

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:

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2019

- MFRS 16, *Leases*
- IC Interpretation 23, *Uncertainty over Income Tax Treatments*
- Amendments to MFRS 3, *Business Combinations (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 9, *Financial Instruments – Prepayment Features with Negative Compensation*
- Amendments to MFRS 11, *Joint Arrangements (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 112, *Income Taxes (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 119, *Employee Benefits – Plan Amendment, Curtailment or Settlement*
- Amendments to MFRS 123, *Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures*

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*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2021

- MFRS 17, *Insurance Contracts*

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*

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1. Basis of preparation (continued)

(a) Statement of compliance (continued)

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

- from the annual period beginning on 1 May 2019 for those accounting standard, amendments and interpretation that are effective for annual periods beginning on or after 1 January 2019, except for amendments to MFRS 11 which is not applicable to the Group.
- 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.

The Group does not plan to apply MFRS 17, *Insurance Contracts* that is effective for annual periods beginning on 1 January 2021 as it is not applicable to the Group.

The Group is expected to apply the abovementioned pronouncements beginning from the respective dates the pronouncements become effective.

The initial application of the applicable accounting standards, amendments and interpretations are not expected to have any material financial impacts to the current period and prior period financial statements of the Group, except as mentioned below:

MFRS 16, *Leases*

MFRS 16 replaces the guidance in MFRS 117, *Leases*, IC Interpretation 4, *Determining whether an Arrangement contains a Lease*, IC Interpretation 115, *Operating Leases – Incentives* and IC Interpretation 127, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

MFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard which continues to be classified as finance or operating lease.

The Group are currently assessing the financial impact that may arise from the adoption of MFRS 16.

(b) Change of financial year end

The Group have changed their financial year end from 31 December to 30 April. Consequently, the current financial statements, being the Group's first financial statements under the new financial year, are for a period from 16 months from 1 January 2018 to 30 April 2019. The comparative figures are for the 12-month period from 1 January 2016 to 31 December 2016 and 1 January 2017 to 31 December 2017.

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1. Basis of preparation (continued)

(c) Basis of measurement

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

The Group incurred net losses of approximately RM115,430,000 for the period ended 30 April 2019 and as at that date, the Group's current liabilities exceeded their current assets by RM1,002,437,000.

On 6 February 2018, the Company received approval from the Corporate Debt Restructuring Committee ("CDRC") of Bank Negara Malaysia for the Company's application for assistance to mediate between the Company and its subsidiaries with its financiers ("Lenders").

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

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

(ii) a RM50 million upfront proportionate cash payment to the Lenders; and

(iii) conversion of RM150 million of existing borrowings facilities into Convertible Preference Shares.

On 18 February 2019, 11 April 2019 and 30 April 2019, the Company received offer letters of the PDRS from respective lenders and is finalising the relevant documentation with the lenders based on the terms of the PDRS as at period end.

The validity of the going concern assumption of the Group is dependent on the following:

(i) The completion of PDRS as soon as practicable;

(ii) The Group's ability to generate adequate cash flows from its operations to service its obligation as and when they fall due in the foreseeable future; and

(iii) Continuous financial support from ultimate holding company to enable the Group to fulfil their obligations as and when they fall due.

The Directors have assessed that the Group is able to meet and complete the requirements of the PDRS, which are only pending completion of documentation process. The Directors believe that these will be achieved.

As at the date of this report two of the three Lenders whose combined facilities made up 72% of the Group's borrowings have disbursed their financing under the restructured facilities.

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1. Basis of preparation (continued)

(c) Basis of measurement (continued)

The Group prepared cash flow forecasts for the next twelve months in accordance with the terms of PDRS as agreed with the lenders. The cash flow forecasts of the Group are based on past performance and estimated growth rate. Based on the cash flow forecasts, the Directors are of the view that the Group is able to generate sufficient cash flows for the next twelve months from the reporting date to meet its cash flows requirements 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.

(d) Functional and presentation currency

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

(e) 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 period in which the estimates are revised and in any future periods 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 4 : Property, vessels and equipment;
(ii) Note 17 : Financial instruments

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2. Significant accounting policies

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

Arising from the adoption of MFRS 15, *Revenue from Contracts with Customers* and MFRS 9, *Financial Instruments*, there are changes to the accounting policies of:

i) financial instruments;
ii) revenue recognition; and
iii) impairment losses of financial instruments

as compared to those adopted in previous financial statements. The impacts arising from these changes are disclosed in Note 22.

(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 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 the 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.

(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.

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2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(ii) Business combinations (continued)

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) 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.

(iv) Non-controlling interests

Non-controlling interests at the end of the reporting period, 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 period between non-controlling interests and the 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.

(v) 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.

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2. Significant accounting policies (continued)

(b) Foreign currency

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 the differences arising on the retranslation of available-for-sale equity instruments or a financial instrument designated as a hedge of currency risk, which are recognised in other comprehensive income.

(c) Financial instruments

Unless specifically disclosed below, the Group generally applied the following accounting policies retrospectively. Nevertheless, as permitted by MFRS 9, *Financial Instruments*, the Group have elected not to restate the comparatives.

(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 becomes a party to the contractual provisions of the instrument.

Current financial period

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.

Previous financial years

Financial instrument was recognised initially, at its fair value plus or minus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that were directly attributable to the acquisition or issue of the financial instrument.

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2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement

Financial assets

Current financial period

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

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.

All financial assets are subject to impairment assessment (see to Note 2(h)(i)).

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2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement

Financial assets (continued)

Current financial period (continued)

Previous financial years

In the previous financial years, financial assets of the Group were classified and measured under MFRS 139, *Financial Instruments: Recognition and Measurement* as follows:

Loans and receivables

Loans and receivables category comprised debt instruments that were not quoted in an active market.

Financial assets categorised as loans and receivables were subsequently measured at amortised cost using the effective interest method.

All financial assets were subject to review for impairment (see to Note 2(h)(i)).

Financial liabilities

Current financial period

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

Amortised cost

Other financial liabilities not categorised 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.

Previous financial years

In the previous financial years, financial liabilities of the Group were subsequently measured at amortised cost.

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2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(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.

Current financial period

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.

(iii) Financial guarantee contracts (continued)

Previous financial years

In the previous financial years, fair value arising from financial guarantee contracts were classified as deferred income and was amortised to profit or loss using a straight-line method over the contractual period or, when there was no specified contractual period, recognised in profit or loss upon discharge of the guarantee. When settlement of a financial guarantee contract was probable, an estimate of the obligation was made. If the carrying value of the financial guarantee contract was lower than the obligation, the carrying value was adjusted to the obligation amount and accounted for as a provision.

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2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(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 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.

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2. Significant accounting policies (continued)

(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 and 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" or "other expenses" respectively in profit or loss.

(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 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. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group 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.

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2. Significant accounting policies (continued)

(d) Property, vessels and equipment (continued)

(iii) Depreciation (continued)

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

• Freehold building	50 years
• Vessels	15 years
• Vessels equipment	5 years
• Drydocking expenditure	2.5 - 5 years
• Motor vehicles	4 years
• Renovation	10 years
• Furniture, fittings and other equipment	5 years
• Computer system	1 2/3 years

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

(e) Leased assets

(i) Finance leases

Leases in terms of which the Group assumes 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 period 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.

(ii) Operating leases

Leases, where the Group does not assume substantially all the risks and rewards of ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised on the statements of financial position.

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2. Significant accounting policies (continued)

(e) Leased assets (continued)

(ii) Operating leases (continued)

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 period 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 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

Unless specifically disclosed below, the Group generally applied the following accounting policies retrospectively. Nevertheless, as permitted by MFRS 9, *Financial Instruments*, the Group elected not to restate the comparatives.

Current financial period

The Group recognise loss allowances for expected credit losses on financial assets measured at amortised cost. Expected credit losses are a probability-weighted estimate of credit losses.

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2. Significant accounting policies (continued)

(h) Impairment (continued)

(i) Financial assets (continued)

Current financial period (continued)

The Group measure loss allowances at an amount equal to lifetime expected credit loss, except for cash and bank 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 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's historical experience and informed credit assessment and including forward-looking information, where available.

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 period considered when estimating expected credit losses is the maximum contractual period over which the Group are exposed to credit risk.

The Group estimate the expected credit losses on trade receivables using a provision matrix with 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 assess whether financial assets carried at amortised cost and debt securities at fair value through other comprehensive income 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 determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery amounts due.

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2. Significant accounting policies (continued)

(h) Impairment (continued)

(i) Financial assets (continued)

Previous financial years

All financial assets (except for investments in subsidiaries) were assessed at each reporting date whether there was any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, were not recognised. For an investment in an equity instrument, a significant or prolonged decline in the fair value below its cost was an objective evidence of impairment. If any such objective evidence exists, then the impairment loss of the financial asset was estimated.

An impairment loss in respect of loans and receivables was recognised in profit or loss and was measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset was reduced through the use of an allowance account.

An impairment loss in respect of unquoted equity instrument that was carried at cost was recognised in profit or loss and was measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

If, in a subsequent period, the fair value of a debt instrument increases and the increase could be objectively related to an event occurring after impairment loss was recognised in profit or loss, the impairment loss was reversed, to the extent that the asset's carrying amount did not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment was reversed. The amount of the reversal was recognised in profit or loss.

(ii) Other assets

The carrying amounts of other assets (except for inventories and deferred tax assets) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

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2. Significant accounting policies (continued)

(h) Impairment (continued)

(ii) Other assets (continued)

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 unit.

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.

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

Impairment losses recognised in prior periods are assessed at the end of each reporting period 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 period 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.

Ordinary shares

Ordinary shares are classified as equity.

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2. Significant accounting policies (continued)

(j) 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 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 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 performs;

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

(c) the Group's performance does not create an asset with an alternative use and the Group 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) Management fee

Management fee is recognised when services are rendered.

(k) 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.

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2. Significant accounting policies (continued)

(k) Borrowing costs (continued)

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period 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.

(l) 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 period, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial periods.

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 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 asset 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 period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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2. Significant accounting policies (continued)

(m) 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 statements 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.

(n) 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 uses observable market data as far as possible. Fair value are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1: quoted prices (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 within 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 recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

(o) 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.

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2. Significant accounting policies (continued)

(o) Employee benefits (continued)

(i) Short-term employee benefits (continued)

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group 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 period to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

3. Subsidiaries

Details of the subsidiaries are as follows:

Name of subsidiaries	Principal place of business / Country of incorporation	Principal activities	Effective ownership interest and voting interest		
			30.4.2019	31.12.2017	31.12.2016
			%	%	%
JM Global 1 (Labuan) Plc	Malaysia	Provision of offshore marine support services	100	100	100
JM Global 2 (Labuan) Plc	Malaysia	Provision of offshore marine support services	100	100	100
JM Global 3 (Labuan) Plc	Malaysia	Provision of offshore marine support services	100	100	100
JM Global 3 (Labuan) Plc	Malaysia	Provision of offshore marine support services	100	100	100

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4. Property, vessels and equipment

	Note	Freehold building RM'000	Vessels RM'000	Vessels under construction RM'000	Vessels equipment RM'000	Drydocking expenditure RM'000	Work in progress RM'000	Motor vehicles RM'000	Renovation RM'000	Computer systems, furniture, fittings and other equipment RM'000	Total RM'000
Cost											
At 1 January 2016		940	1,438,457	105,662	4,504	25,078	1,516	2,855	794	2,462	1,582,268
Additions		-	-	7,024	-	1,643	1,957	-	-	7	10,631
Reclassification		-	112,686	(112,686)	-	3,473	(3,473)	-	-	-	-
Transfer from assets held for sale		-	78,925	-	-	11,335	-	-	-	-	90,260
At 31 December 2016/1 January 2017		940	1,630,068	-	4,504	41,529	-	2,855	794	2,469	1,683,159
Additions		-	-	-	-	6,298	953	-	-	-	7,251
At 31 December 2017/1 January 2018		940	1,630,068	-	4,504	47,827	953	2,855	794	2,469	1,690,410
Additions		-	-	-	-	12,910	4,127	-	-	51	17,088
Disposals		-	-	-	-	-	-	(146)	-	-	(146)
Reclassifications		-	-	-	-	953	(953)	-	-	-	-
At 30 April 2019		940	1,630,068	-	4,504	61,690	4,127	2,709	794	2,520	1,707,352

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4. Property, vessels and equipment (continued)

	Note	Freehold building RM'000	Vessels RM'000	Vessels under construction RM'000	Vessels equipment RM'000	Drydocking expenditure RM'000	Work in progress RM'000	Motor vehicles RM'000	Renovation RM'000	Computer systems, furniture, fittings and other equipment RM'000	Total RM'000
Accumulated depreciation and and impairment loss											
At 1 January 2016											
Accumulated depreciation		246	337,985	-	3,586	19,986	-	2,317	746	2,200	367,066
Accumulated impairment loss		-	11,823	-	-	-	-	-	-	-	11,823
		246	349,808	-	3,586	19,986	-	2,317	746	2,200	378,889
Charge for the year		19	94,283	-	697	6,376	-	262	8	191	101,836
Impairment loss	4.3	-	34,389	-	-	406	-	-	-	-	34,795
Transfer from assets held for sale		-	37,401	-	-	11,281	-	-	-	-	48,682
At 31 December 2016/1 January 2017											
Accumulated depreciation		265	469,669	-	4,283	37,643	-	2,579	754	2,391	517,584
Accumulated impairment loss		-	46,212	-	-	406	-	-	-	-	46,618
		265	515,881	-	4,283	38,049	-	2,579	754	2,391	564,202
Charge for the year		19	92,421	-	221	3,001	-	158	8	72	95,900
Impairment loss	4.3	-	243,269	-	-	6,777	-	-	-	-	250,046
At 31 December 2017/1 January 2018											
Accumulated depreciation		284	562,090	-	4,504	40,644	-	2,737	762	2,463	613,484
Accumulated impairment loss		-	289,481	-	-	7,183	-	-	-	-	296,664
		284	851,571	-	4,504	47,827	-	2,737	762	2,463	910,148
Charge for the period		25	91,801	-	-	2,253	-	114	10	18	94,221
Impairment loss	4.3	-	17,770	-	-	-	-	-	-	-	17,770
Disposals		-	-	-	-	-	-	(146)	-	-	(146)
At 30 April 2019											
Accumulated depreciation		309	653,891	-	4,504	42,897	-	2,705	772	2,481	707,559
Accumulated impairment loss		-	307,251	-	-	7,183	-	-	-	-	314,434
		309	961,142	-	4,504	50,080	-	2,705	772	2,481	1,021,993

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4. Property, vessels and equipment (continued)

	Note	Freehold building RM'000	Vessels RM'000	Vessels under construction RM'000	Vessels equipment RM'000	Drydocking expenditure RM'000	Work in progress RM'000	Motor vehicles RM'000	Renovation RM'000	Computer systems, furniture, fittings and other equipment RM'000	Total RM'000
Carrying amounts											
At 1 January 2016		694	1,088,649	105,662	918	5,092	1,516	538	48	262	1,203,379
At 31 December 2016/1 January 2017		675	1,114,187	-	221	3,480	-	276	40	78	1,118,957
At 31 December 2017/1 January 2018		656	778,497	-	-	-	953	118	32	6	780,262
At 30 April 2019		631	668,926	-	-	11,610	4,127	4	22	39	685,359

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4. Property, vessels and equipment (continued)

4.1 Assets held under hire purchase

The carrying amount of motor vehicles of the Group held under hire purchase at the reporting date were RMNil (31.12.2017: RM117,000; 31.12.2016: RM262,991).

4.2 Security

Certain property, vessels and equipment of the Group are pledged as securities for borrowings as disclosed in Note 9.

4.3 Impairment loss

During the financial period ended 30 April 2019, further decline in offshore drilling activities affected the demand for offshore support vessels in oil and gas industry and has resulted in a further decrease in profitability of charter contracts for the Group's vessels. Accordingly, the Group reviewed the recoverable amount of its vessels culminating in the recognition of impairment loss of RM17,770,000 (31.12.2017: RM250,046,000; 31.12.2016: RM34,795,000).

The recoverable amount for the Group of RM706,421,000 (31.12.2017: RM863,419,000; 31.12.2016: RM1,143,120,000), was determined based on fair value less costs of disposal, which was determined based on market comparable approach that reflects recent transaction prices for similar vessels, with similar age and specifications. In valuing the vessels, the appraisers have taken into consideration the prevailing market conditions and have made adjustments for differences such as age, size and specifications where necessary before arriving at the most appropriate fair value of 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.

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.

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5. Inventories

	30.4.2019 RM'000	31.12.2017 RM'000	31.12.2016 RM'000
Spare parts and consumables for vessels	1,068	1,076	1,206
Fuel	5,822	4,877	-
	6,890	5,953	1,206

6. Trade and other receivables

	Note	30.4.2019 RM'000	31.12.2017 RM'000	31.12.2016 RM'000
Current				
Trade				
Trade receivables		30,457	22,480	28,217
Less: Impairment loss		(3,514)	(1,008)	-
		26,943	21,472	28,217
Non-trade				
Staff advances		179	110	115
Deposits		212	209	268
Sundry receivables	6.1	4,010	358	6,640
		4,401	677	7,023
		31,344	22,149	35,240

6.1 Sundry receivables

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

7. Cash and cash equivalents

	30.4.2019 RM'000	31.12.2017 RM'000	31.12.2016 RM'000
Cash and bank balances	12,815	908	468
Deposits placed with licensed banks	3,539	3,218	3,250
	16,354	4,126	3,718

Deposits placed with licensed banks of the Group amounting to RM1,433,000 (31.12.2017: RM1,319,000, 31.12.2016: RM1,911,000) are pledged as securities for banking facilities granted to the Group.

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8. Share capital and reserves

	Amount 30.4.2019 RM'000	Number of shares 30.4.2019 '000	Amount 31.12.2017 RM'000	Number of shares 31.12.2017 '000	Amount 31.12.2016 RM'000	Number of shares 31.12.2016 '000
Ordinary shares, issued and fully paid:						
At 1 January/ 30 April/ 31 December	20,825	20,825	20,825	20,825	20,825	20,825

Ordinary shares

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.

Capital contribution

In prior periods, the ultimate holding company had made a capital contribution amounted to RM24,479,000 to the Group in respect of employee benefits granted to the employee of the Group in the form of share-based payment.

9. Loans and borrowings

	Note	2019 RM'000	2017 RM'000	2016 RM'000
Non-current				
Secured term loans	9.1	-	775,338	611,007
Hire purchase payables	9.2	-	31	97
Revolving credit	9.3	30,000	10,000	20,000
		30,000	785,369	631,104
Current				
Secured term loans	9.1	921,634	112,156	278,237
Hire purchase payables	9.2	-	78	101
Revolving credit	9.3	-	20,000	10,000
Bank overdraft		6,021	9,576	9,071
		927,655	141,810	297,409
		957,655	927,179	928,513

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9. Loans and borrowings (continued)

9.1 Secured term loans

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

(a) debentures created over fixed and floating assets of certain subsidiaries;
(b) first legal/mortgage charge over the vessels;
(c) an irrevocable joint and several guarantee by a director and shareholders of the Company;
(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;
(g) corporate guarantees from immediate and ultimate holding company; and
(h) an equitable assignment of future earnings in respect of future contract agreement entered between the Group and the charterers.

9.2 Hire purchase payables

Hire purchases are payable as follows:

	30.4.2019			31.12.2017			31.12.2016		
	Future minimum lease payments RM'000	Interest RM'000	Present value of minimum lease payments RM'000	Future minimum lease payments RM'000	Interest RM'000	Present value of minimum lease payments RM'000	Future minimum lease payment RM'000	Interest RM'000	Present value of minimum lease payments RM'000
Less than one year	-	-	-	82	4	78	109	8	101
Between one and five year	-	-	-	32	1	31	122	25	97
	-	-	-	114	5	109	231	33	198

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9. Loans and borrowings (continued)

9.3 Revolving credit

Revolving credit is secured by shares in subsidiaries held by the Company and corporate guarantees from immediate and ultimate holding company.

9.4 Reconciliation of movement of liabilities to cash flows arising from financing activities

	At 1 January 2017 RM'000	Net changes from financing cash flows RM'000	Finance cost RM'000	At 31 December 2017/ 1 January 2018 RM'000	Net changes from financing cash flows RM'000	Finance cost RM'000	At 30 April 2019 RM'000
Secured term loans	889,244	(58,214)	56,464	887,494	(42,234)	76,374	921,634
Hire purchase payables	198	(96)	7	109	(109)	-	-
Revolving credit	30,000	(2,606)	2,606	30,000	(3,587)	3,587	30,000
Bank overdraft	9,071	(160)	665	9,576	(4,686)	1,131	6,021
Corporate guarantees fee charged by the ultimate holding company	-	(5,921)	5,921	-	-	-	-
	928,513	(66,997)	65,663	927,179	(50,616)	81,092	957,655

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9. Loans and borrowings (continued)

9.5 Proposed Debt Restructuring Scheme

During the period, the Group have reclassified total loans and borrowings of approximately RM922 million and RM644 million respectively, 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 RM922 million for the Group.

As disclosed in Note 1(c), the Group have received the offer letters of the PDRS from respective lenders during the financial period and as at period end, the PDRS is only pending completion of documentation process.

10. Deferred tax liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets			Liabilities			Net		
	30.4.2019 RM'000	31.12.2017 RM'000	31.12.2016 RM'000	30.4.2019 RM'000	31.12.2017 RM'000	31.12.2016 RM'000	30.4.2019 RM'000	31.12.2017 RM'000	31.12.2016 RM'000
Property, vessels and equipment	-	-	-	-	-	(156,471)	-	-	(156,471)
Unutilised capital allowances	-	-	119,248	-	-	-	-	-	119,248
Tax loss carry-forward	-	-	514	-	-	-	-	-	514
Other items	-	-	413	-	-	-	-	-	413
Net tax assets/ (liabilities)	-	-	120,175	-	-	(156,471)	-	-	(36,296)

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10. Deferred tax liabilities (continued)

Movement in temporary differences during the period

	At 1.1.2016 RM'000	Recognised in profit or loss (Note 15) RM'000	At 31.12.2016 RM'000	Recognised in profit or loss (Note 15) RM'000	At 31.12.2017 RM'000	Recognised in profit or loss (Note 15) RM'000	At 30.4.2019 RM'000
Deferred tax liabilities							
Property, vessels and equipment	(157,865)	1,394	(156,471)	156,471	-	-	-
Deferred tax assets							
Unutilised capital allowances	91,987	27,261	119,248	(119,248)	-	-	-
Tax loss carry-forward	-	514	514	(514)	-	-	-
Other items	647	(234)	413	(413)	-	-	-
	92,634	27,541	120,175	(120,175)	-	-	-
	(65,231)	28,935	(36,296)	36,296	-	-	-

	30.4.2019 RM'000	31.12.2017 RM'000	31.12.2016 RM'000
Deferred tax assets	-	-	120,175
Deferred tax liabilities	-	-	(156,471)
	-	-	(36,296)

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10. Deferred tax liabilities (continued)

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

	30.4.2019 RM'000	31.12.2017 RM'000	31.12.2016 RM'000
Property, vessels and equipment	172,875	105,176	-
Tax loss carry-forward	25,342	25,342	-
Other provisions	60,887	58,380	-
At 30 April/31 December	259,104	188,898	-
Tax at 24%	62,185	45,336	-

Deferred tax assets have not been recognised in respect of property, vessels and equipment, tax loss carry-forward and other provisions because it is not probable that future taxable profit will be available against which the Group can utilise the benefits there from.

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11. Trade and other payables

	Note	30.4.2019 RM'000	31.12.2017 RM'000	31.12.2016 RM'000
Trade				
Trade payables		28,300	30,464	57,061
Non-trade				
Amount due to ultimate holding company	11.1	79,030	65,073	8,459
Amount due to immediate holding company	11.2	13,265	13,276	13,291
Other payables		-	5,061	6,641
Accruals		10,315	2,686	3,157
		102,610	86,096	31,548
		130,910	116,560	88,609

11.1 Amount due to ultimate holding company

The amount due to ultimate holding company is unsecured, subject to 6% interest and repayable on demand.

11.2 Amount due to immediate holding company

The amount due to immediate holding company is unsecured, interest free and repayable on demand.

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12. Revenue

	1.1.2018 to 30.4.2019 RM'000	1.1.2017 to 31.12.2017 RM'000	1.1.2016 to 31.12.2016 RM'000
Leasing income	125,756	75,423	101,324
Revenue from contracts with customers	53,895	32,324	43,424
Total revenue	179,651	107,747	144,748

12.1 Disaggregation of revenue from contracts with customers

In the following table, revenue from contracts with customers is disaggregated by service line and timing of revenue recognition.

	1.1.2018 to 30.4.2019 RM'000	1.1.2017 to 31.12.2017 RM'000	1.1.2016 to 31.12.2016 RM'000
Revenue from contracts with customers			
Crew services	53,895	32,324	43,424
Timing and recognition			
Over time	53,895	32,324	43,424
Leasing income	125,756	75,423	101,324
Total revenue	179,651	107,747	144,748

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12. Revenue (continued)

12.2 Nature of services

The following information reflects the typical transactions as follows:

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 periods of 30 days from invoice date.

12.3 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	30.4.2020 RM'000	30.4.2021 RM'000	30.4.2022 RM'000	Total RM'000
Crew services	37,913	16,841	3,849	58,603

13. Finance income

	1.1.2018 to 30.4.2019 RM'000	1.1.2017 to 31.12.2017 RM'000	1.1.2016 to 31.12.2016 RM'000
Interest income of financial assets calculated using the effective interest method that are:			
- at amortised cost	28	168	411

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14. Finance costs

	1.1.2018 to 30.4.2019 RM'000	1.1.2017 to 31.12.2017 RM'000	1.1.2016 to 31.12.2016 RM'000
Interest expense of financial liabilities that are not at fair value through profit or loss	86,324	65,663	70,217

15. Tax benefit

Recognised in profit or loss

	1.1.2018 to 30.4.2019 RM'000	1.1.2017 to 31.12.2017 RM'000	1.1.2016 to 31.12.2016 RM'000
Current tax expense			
Malaysian			
- current period	7	40	95
- prior year	(40)	-	-
	(33)	40	95
Deferred tax expense			
Origination and reversal of temporary differences	-	(38,035)	(23,870)
Under/(Over) provision in prior year	-	1,739	(5,065)
	-	(36,296)	(28,935)
	(33)	(36,256)	(28,840)

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15. Tax benefit (continued)

Reconciliation of tax expense

	1.1.2018 to 30.4.2019 RM'000	1.1.2017 to 31.12.2017 RM'000	1.1.2016 to 31.12.2016 RM'000
Loss before tax	(115,463)	(374,372)	(125,220)
Income tax using Malaysian statutory tax rate of 24%	(27,711)	(89,849)	(30,053)
Different tax rate in Labuan	8,071	5,314	5,430
Non-deductible expenses	2,798	1,396	848
Under provision of deferred tax in prior year	-	1,739	-
Over provision of tax expense in prior year	(40)	-	(5,065)
Deferred tax assets not recognised during the period/ year	16,849	45,144	-
Total tax credit	(33)	(36,256)	(28,840)

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions. 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.

16. Loss for the period/year

	Note	1.1.2018 to 30.4.2019 RM'000	1.1.2017 to 31.12.2017 RM'000	1.1.2016 to 31.12.2016 RM'000
Loss before tax is arrived at after charging:				
Auditors remuneration:				
- Audit fees				
KPMG PLT		121	94	84
Material expenses/(income)				
Gain on disposal of property, vessels and equipment		(20)	-	-
Depreciation of property, vessels and equipment	4	94,221	95,900	101,836
Impairment of vessels	4	17,770	250,046	34,795

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16. Loss for the period/year (continued)

	Note	1.1.2018 to 30.4.2019 RM'000	1.1.2017 to 31.12.2017 RM'000	1.1.2016 to 31.12.2016 RM'000
Material expenses/(income) (continued)				
Personnel expenses:				
- Employee benefits expense	16.1	57,965	32,462	35,333
- Non-executive directors' remuneration	16.2	300	254	215
Rental of office and warehouse		303	263	256
Corporate guarantees fee charged by ultimate holding company		1,490	5,921	5,911
Corporate services fee charged by ultimate holding company		105	420	420
Net foreign exchange loss		88	58	463
(Reversal)/Impairment loss on trade receivables		(317)	1,008	-
Written off of trade receivables		12	-	-

16.1 Employee benefit expense

	1.1.2018 to 30.4.2019 RM'000	1.1.2017 to 31.12.2017 RM'000	1.1.2016 to 31.12.2016 RM'000
Wages and salaries	45,781	24,838	26,749
Social security costs	329	196	204
Defined contribution plan	3,482	2,234	2,455
Other staff related expenses	8,373	5,194	5,925
	57,965	32,462	35,333

Included in employee benefits expense of the Group are executive directors' remuneration amounting to RM1,528,000 (2017: RM1,158,000; 2016: RM1,077,000).

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16. Loss for the period/year (continued)

16.2 Directors' remuneration

	1.1.2018 to 30.4.2019 RM'000	1.1.2017 to 31.12.2017 RM'000	1.1.2016 to 31.12.2016 RM'000
Executive directors:			
- salaries and other emoluments	1,253	957	945
- bonus	98	65	2
- fees	10	10	10
- defined contribution plan	149	112	103
- benefits-in-kind	18	14	17
Total executive directors' remuneration	1,528	1,158	1,077
Non-executive directors:			
- fees	52	52	42
- other emoluments	227	166	143
- benefits-in-kind	21	36	30
Total non-executive directors' remuneration	300	254	215
Total directors' remuneration including benefits-in-kind	1,828	1,412	1,292

17. Financial instruments

17.1 Categories of financial instruments

The table below provides an analysis of financial instruments as at 30 April 2019 categorised as follows:

(a) Amortised cost ("AC")

	Carrying amount RM'000	AC RM'000
30.4.2019		
Financial assets		
Trade and other receivables	31,344	31,344
Cash and cash equivalents	16,354	16,354
	47,698	47,698
Financial liabilities		
Loans and borrowings	(957,655)	(957,655)
Trade and other payables	(130,910)	(130,910)
	(1,088,565)	(1,088,565)

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17. Financial instruments (continued)

17.1 Categories of financial instruments (continued)

The table below provides an analysis of financial instruments as at 31 December 2017 and 31 December 2016 categorised as follows:

(a) Loans and receivables ("L&R")
(b) Financial liabilities measured at amortised cost ("FL")

	Carrying amount RM'000	L&R/ (FL) RM'000
31.12.2017		
Financial assets		
Trade and other receivables	22,149	22,149
Cash and cash equivalents	4,126	4,126
	26,275	26,275
Financial liabilities		
Loans and borrowings	(927,179)	(927,179)
Trade and other payables	(116,560)	(116,560)
	(1,043,739)	(1,043,739)
31.12.2016		
Financial assets		
Trade and other receivables	35,240	35,240
Cash and cash equivalents	3,718	3,718
	38,958	38,958
Financial liabilities		
Loans and borrowings	(928,513)	(928,513)
Trade and other payables	(88,609)	(88,609)
	(1,017,122)	(1,017,122)

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17. Financial instruments (continued)

17.2 Net losses and gains arising from financial instruments

	1.1.2018 to 30.4.2019 RM'000	1.1.2017 to 31.12.2017 RM'000	1.1.2016 to 31.12.2016 RM'000
Net losses on:			
Financial assets measured at amortised cost	28	-	-
Financial liabilities measured at amortised cost	(86,412)	(65,721)	(70,411)
Loans and receivables	-	168	411
	(86,384)	(65,553)	(70,000)
Net gains/(losses) on impairment of financial instruments:			
Financial assets at amortised cost	317	-	-
Loans and receivables	-	(1,008)	-
	317	(1,008)	-

17.3 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

17.4 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 obligation. The Group's exposure to credit risk arise principally from its trade and other receivables. There are no significant changes as compared to prior periods.

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17. Financial instruments (continued)

17.4 Credit risk

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.

Risk management objectives, policies and processes for managing the risk (continued)

At each reporting date, the Group assess 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 determine that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the 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.

Exposure to credit risk, credit quality and collateral

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

Recognition and measurement of impairment losses

In managing credit risk of trade receivables, the Group manage 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.

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17. Financial instruments (continued)

17.4 Credit risk (continued)

Trade receivables (continued)

Recognition and measurement of impairment losses (continued)

The Group use 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 consider differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's and the Company's view of economic conditions over the expected lives of the receivables. Nevertheless, the Group believe that these factors are immaterial for the purpose of impairment calculation for the year.

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at 30 April 2019 which are grouped together as they are expected to have similar risk nature.

	Gross carrying amount RM'000	Loss allowances RM'000	Net balance RM'000
30.4.2019			
Not past due	12,429	-	12,429
Past due 1 - 30 days	11,130	-	11,130
Past due 31 - 90 days	4,757	(1,373)	3,384
	28,316	(1,373)	26,943
Credit impaired			
Individually impaired	2,141	(2,141)	-
	30,457	(3,514)	26,943

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17. Financial instruments (continued)

17.4 Credit risk (continued)

Trade receivables (continued)

Recognition and measurement of impairment losses (continued)

The movements in the allowance for impairment in respect of trade receivables during the period are shown below.

	Net RM'000
At 1 January 2017 as per MFRS 139	1,008
Adjustments on initial application of MFRS	2,823
At 31 December 2017 as per MFRS 9	3,831
Net remeasurement of loss allowance	(317)
At 30 April 2019	3,514

Comparative information under MFRS 139, Financial Instruments: Recognition and measurement

The aging of trade receivables as at 31 December 2017 and 31 December 2016 were as follows:

	Gross RM'000	Individual impairment RM'000	Net RM'000
31.12.2017			
Not past due	10,990	-	10,990
Past due 1 - 30 days	5,715	-	5,715
Past due 31 - 90 days	4,321	-	4,321
Past due more than 90 days	1,454	(1,008)	446
	22,480	(1,008)	21,472
31.12.2016			
Not past due	10,692	-	10,692
Past due 1 - 30 days	8,903	-	8,903
Past due 31 - 90 days	5,301	-	5,301
Past due more than 90 days	3,321	-	3,321
	28,217	-	28,217

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17. Financial instruments (continued)

17.4 Credit risk (continued)

Trade receivables (continued)

The movements in the allowance for impairment in respect of trade receivables during the year are shown below:

	RM'000
At 1 January 2016 / 31 December 2016 / 1 January 2017	-
Impairment loss recognised	1,008
At 31 December 2017	1,008

Cash and cash equivalents

The cash and cash equivalents are held with banks and financial institutions. As at the end of the reporting period, 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 are of the view that the loss allowance is not material and hence, it is not provided for.

17.5 Liquidity risk

Liquidity risk is the risk that the Group 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.

The Group maintains a level of cash and cash equivalents and bank facilities 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.

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17. Financial instruments (continued)

17.5 Liquidity risk (continued)

Maturity analysis

The table below summarises the maturity profile of the Group's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

	Carrying amount RM'000	Contractual interest rate %	Contractual cash flows RM'000	Under 1 year RM'000	1 to 2 years RM'000	2 to 5 years RM'000	More than 5 years RM'000
30.4.2019							
Secured term loans	921,634	4.90% - 7.70%	1,182,210	67,999	193,226	447,039	473,946
Revolving credit	30,000	6.15% - 7.40%	32,835	22,095	10,740	-	-
Bank overdraft	6,021	7.90% - 8.10%	6,509	6,509	-	-	-
Trade and other payables	130,910	-	130,910	130,910	-	-	-
	1,088,565		1,352,464	227,513	203,966	447,039	473,946
31.12.2017							
Secured term loans	887,494	4.90% - 7.70%	1,108,749	164,374	163,894	433,808	346,673
Hire purchase payables	109	2.30% - 2.90%	109	78	31	-	-
Revolving credit	30,000	5.95% - 7.20%	32,835	22,095	10,740	-	-
Bank overdraft	9,576	7.90% - 8.10%	10,351	10,351	-	-	-
Trade and other payables	116,560	-	116,560	116,560	-	-	-
	1,043,739		1,268,604	313,458	174,665	433,808	346,673

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17. Financial instruments (continued)

17.5 Liquidity risk (continued)

Maturity analysis (continued)

	Carrying amount RM'000	Contractual interest rate %	Contractual cash flows RM'000	Under 1 year RM'000	1 to 2 years RM'000	2 to 5 years RM'000	More than 5 years RM'000
31.12.2016							
Secured term loans	889,244	4.90% - 7.70%	1,154,953	85,456	165,007	446,095	458,395
Hire purchase payables	198	2.30% - 2.90%	232	109	82	41	-
Revolving credit	30,000	5.95% - 7.20%	35,085	2,035	11,855	21,195	-
Bank overdraft	9,071	7.60% - 8.10%	10,364	10,364	-	-	-
Trade and other payables	88,609	-	88,609	88,609	-	-	-
	1,017,122		1,289,243	186,573	176,944	467,331	458,395

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17. Financial instruments (continued)

17.6 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.

17.6.1 Currency risk

The Group are 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") and Euro ("EUR").

Risk management objectives, policies and processes for managing the risk

Exposure to foreign currency risk is monitored on an ongoing basis. The Group do 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 currency of the Group entities) risk, based on carrying amounts as at the end of the reporting period was:

	Denominated in		
	USD	**SGD**	**EUR**
	RM'000	**RM'000**	**RM'000**
30.4.2019			
Cash and cash equivalents	12	-	-
Trade and other payables	(507)	(855)	(159)
Net exposure in the statement of financial position	(495)	(855)	(159)
31.12.2017			
Cash and cash equivalents	12	-	-
Trade and other payables	(1,410)	(73)	(10)
Net exposure in the statement of financial position	(1,398)	(73)	(10)
31.12.2016			
Cash and cash equivalents	12	-	-
Trade and other payables	(1,366)	(76)	(393)
Net exposure in the statement of financial position	(1,354)	(76)	(393)

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17. Financial instruments (continued)

17.6 Market risk (continued)

17.6.1 Currency risk (continued)

Currency risk sensitivity analysis

A 10% (31.12.2017: 10%, 31.12.2016: 10%) strengthening of the Ringgit Malaysia against the following currencies at the end of the reporting period would have decreased post-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 period. The analysis assumes that all other variables, in particular interest rates, remained constant.

	Profit or loss		
	30.4.2019 RM'000	31.12.2017 RM'000	31.12.2016 RM'000
USD	(50)	(140)	(135)
SGD	(86)	(7)	(8)
EUR	(16)	(1)	(39)
	(152)	(148)	(182)

A 10% (31.12.2017: 10%, 31.12.2016: 10%) weakening of Ringgit Malaysia against the above currencies at the end of the reporting period 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.

17.6.2 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.

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17. Financial instruments (continued)

17.6 Market risk (continued)

17.6.2 Interest rate risk (continued)

Exposure to interest rate risk

The interest rate profile of the Group's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

	30.4.2019 RM'000	31.12.2017 RM'000	31.12.2016 RM'000
Fixed rate instruments			
Financial assets	3,539	3,218	3,250
Financial liabilities	(639,117)	(614,308)	(611,205)
	(635,578)	(611,090)	(607,955)
Floating rate instruments			
Financial liabilities	(318,538)	(312,871)	(317,308)

Interest rate risk sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments

The Group do 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 period would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 1% (2017: 1%, 2016: 1%) in effective interest rates at the end of the reporting period 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					
	30.4.2019		**31.12.2017**		**31.12.2016**	
	1% Increase RM'000	**1% Decrease RM'000**	**1% Increase RM'000**	**1% Decrease RM'000**	**1% Increase RM'000**	**1% Decrease RM'000**
Floating rate instruments	(3,185)	3,185	(3,129)	3,129	(3,173)	3,173

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17. Financial instruments (continued)

17.7 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 *				Carrying amount
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	RM'000
30.4.2019					
Financial liabilities					
Revolving credit	-	-	30,000	30,000	30,000
Secured term loans	-	-	893,058	893,058	921,634
	-	-	923,058	923,058	951,634
31.12.2017					
Financial liabilities					
Revolving credit	-	-	30,000	30,000	30,000
Secured term loans	-	-	822,266	822,266	887,494
Hire purchase payables	-	-	105	105	109
	-	-	852,371	852,371	917,603
31.12.2016					
Financial liabilities					
Revolving credit	-	-	19,759	19,759	20,000
Secured term loans	-	-	865,738	865,738	889,244
Hire purchase payables	-	-	198	198	198
	-	-	885,695	885,695	909,442

* There are no financial instruments carried at fair value.

JASA MERIN (MALAYSIA) SDN. BHD. AND ITS SUBSIDIARIES
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17. Financial instruments (continued)

17.7 Fair value information (continued)

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 period.

Transfer between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and 2 fair values during the financial period (2017 and 2016: no transfer in either directions).

Level 3 fair value

Fair value of revolving credit, secured term loans and hire purchase payables is estimated using unobservable inputs for the financial liabilities using discounted cash flow method.

JASA MERIN (MALAYSIA) SDN. BHD. AND ITS SUBSIDIARIES
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18. 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 manage 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 periods ended 30 April 2019, 31 December 2017 and 31 December 2016.

The Group monitor capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group consider the net debt as loans and borrowings, trade and other payables, less cash and cash equivalents.

	Note	30.4.2019 RM'000	31.12.2017 RM'000	31.12.2016 RM'000
Loans and borrowings	9	957,655	927,179	928,513
Trade and other payables	11	130,910	116,560	88,609
Less: Cash and cash equivalents	7	(16,354)	(4,126)	(3,718)
Net debt		1,072,211	1,039,613	1,013,404
Total equity attributable to the owners of the Company		(347,078)	(228,825)	109,291
Capital and net debt		725,133	810,788	1,122,695
Gearing ratio		148%	128%	90%

19. Capital commitments

Capital expenditure as at the reporting date is as follows:

	30.4.2019 RM'000	31.12.2017 RM'000	31.12.2016 RM'000
Capital expenditure commitments			
Plant, vessels and equipment			
Approved and contracted for:	4,642	-	-
Approved but not contracted for:	14,838	10,500	14,609

JASA MERIN (MALAYSIA) SDN. BHD. AND ITS SUBSIDIARIES
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20. 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 the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Related parties also include key management personnel are 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, other than key management personnel compensation, are as follows:

	30.4.2019 RM'000	31.12.2017 RM'000	31.12.2016 RM'000
Ultimate holding company			
Corporate guarantees fee	1,490	5,921	5,911
Corporate service fee	105	420	420

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 6 and Note 11 to the financial statements.

Compensation of key management personnel

	30.4.2019 RM'000	31.12.2017 RM'000	31.12.2016 RM'000
Key management personnel			
Directors			
- Fees	62	62	52
- Remuneration	1,617	1,238	1,137
- Other short-term employee benefits	149	112	103
Other key management personnel			
- Remuneration	856	615	351
- Other short-term employee benefits	95	70	39
	2,779	2,097	1,682

JASA MERIN (MALAYSIA) SDN. BHD. AND ITS SUBSIDIARIES
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21. Subsequent event

Proposed Debt Restructuring Scheme

As stated in Note 1(c), the Group were finalising the relevant documentation of the PDRS with the Lenders based on the terms of the PDRS as at period end.

On 27 November 2019, the Group has entered into separate facility agreements with each of the banks, namely Affin Bank Berhad, Bank Pembangunan Malaysia Berhad and Maybank Islamic Berhad ("Banks") to restructure the outstanding facilities amounting RM923.2 million as follows:

	RM'000
Upfront cash payment to the Banks	50,000
Settlement of part of the outstanding amounts by the issuance of RM150 million irredeemable preference shares of RM1.00 each in Jasa Merin (Malaysia) Sdn. Bhd. ("JMM") ("JMM PS") convertible into new ordinary shares in Marine & General Berhad ("M&G") ("M&G Shares")	150,000
Granting additional time to settle the balance outstanding borrowings by way of new term financings	723,221
Total borrowings	923,221

As at the date of this report, the Proposal is subject to approvals of:

- the shareholders of the Company for the issuance of JMM PS;
- the shareholders of M&G for the issuance of new M&G Shares;
- Bursa Malaysia Securities Berhad for the listing of and quotation of the new M&G shares to be issued upon the surrender of the JMM PS by the holders of JMM PS to M&G; and
- Other relevant regulatory authorities, if required.

JASA MERIN (MALAYSIA) SDN. BHD. AND ITS SUBSIDIARIES

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22. Significant changes in accounting policies

During the period, the Group adopted MFRS 15, *Revenue from Contracts with Customers* and MFRS 9, *Financial Instruments* on their financial statements. The Group generally applied the requirements of these accounting standards retrospectively with practical expedients and transitional exemptions as allowed by the standards. Nevertheless, as permitted by MFRS 15 and MFRS 9, the Group have elected not to restate the comparatives.

22.1 Impacts on financial statements

There are no significant impacts arising from the adoption of MFRS 15 on the Group's financial statements.

The following table summarises the impacts arising from the adoption of MFRS 9 on the Group's financial statements.

Statement of financial position

	31 December 2017 As previously reported RM'000	1 January 2018 MFRS 9 adjustments RM'000	As restated RM'000
Trade and other receivables	22,149	(2,823)	19,326
Others	792,765	-	792,765
Total assets	814,914	(2,823)	812,091
Total liabilities	(1,043,739)	-	(1,043,739)
Accumulated losses	274,129	2,823	276,952
Others	(45,304)	-	(45,304)
Total equity	228,825	2,823	231,648
Total equity and liabilities	(814,914)	2,823	(812,091)

JASA MERIN (MALAYSIA) SDN. BHD. AND ITS SUBSIDIARIES

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22. Significant changes in accounting policies (continued)

22.2 Accounting for financial instruments

a. Transition

In the adoption of MFRS 9, the following transitional exemptions as permitted by the standard have been adopted:

i) The Group have not restated comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of MFRS 9 are recognised in retained earnings as at 1 January 2018. Accordingly, the information presented for 2017 and 2016 does not generally reflect the requirements of MFRS 9, but rather those of MFRS 139, *Financial Instruments: Recognition and Measurement.*

ii) The following assessments have been made based on the facts and circumstances that existed at the date of initial application:

- the determination of the business model within which a financial asset is held;
- the designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL; and
- the designation of certain investments in equity instruments not held for trading as at FVOCI.

iii) If an investment in a debt security had low credit risk at date of initial application of MFRS 9, the Group have assumed that the credit risk on the asset had not increased significantly since its initial recognition.

iv) Loss allowance for receivables (other than trade receivables) is recognised at an amount equal to lifetime expected credit losses until the receivable is derecognised.

JASA MERIN (MALAYSIA) SDN. BHD. AND ITS SUBSIDIARIES
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22. Significant changes in accounting policies (continued)

22.2 Accounting for financial instruments (continued)

b. Classification of financial assets and financial liabilities on the date of initial application of MFRS 9

The following table shows the measurement categories under MFRS 139 and the new measurement categories under MFRS 9 for each class of the Group's financial assets and financial liabilities as at 1 January 2018 and 1 January 2017:

		1 January 2018		
			Reclassification to new MFRS 9 category	
Category under MFRS 139	**31 December 2017 RM'000**	**Remeasure-ment RM'000**	**Amortised cost ("AC") RM'000**	**Notes**
Financial assets				
Loans and receivables				
Trade and other receivables	22,149	(2,823)	19,326	
Cash and cash equivalents	4,126	-	4,126	
	26,275	(2,823)	23,452	22.2(b)(i)
Financial liabilities				
Other financial liabilities measured at amortised cost				
Loans and borrowings	(927,179)	-	(927,179)	
Trade and other payables	(116,560)	-	(116,560)	
	(1,043,739)	-	(1,043,739)	

(i) Reclassification from loans and receivables to amortised cost

Trade and other receivables and cash and cash equivalents that were classified as loans and receivables under MFRS 139 are now reclassified at amortised cost.

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23. Comparative figures

The financial year end of the Group was changed from 31 December to 30 April so as to conterminous with the year end of its ultimate holding company as required by Section 247 (1) of Companies Act 2016. Accordingly, the current financial statements are prepared for 16 months from 1 January 2018 to 30 April 2019 and as a result, the comparative figures stated in the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and the related notes for financial year ended 2017 and 2016 are not comparable.

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The Board of Directors
Marine & General Berhad
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Taman Tun Dr Ismail
60000 Kuala Lumpur

13 December 2019

Dear Sirs,

Reporting Accountant's opinion on the financial statements contained in the accountants' report of Jasa Merin (Malaysia) Sdn. Bhd ("JMM" or the "Company") and its subsidiaries (the "Group").

Opinion

We have audited the financial statements of Jasa Merin (Malaysia) Sdn. Bhd. and its subsidiaries, which comprise the consolidated statements of financial position as at 30 April 2019, 31 December 2017 and 31 December 2016 of the Group, and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows of the Group for the years then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 1 to 65. The historical financial statements of the Group have been prepared for inclusion in the circular to the shareholders of Marine & General Berhad ("M&G") in connection with the:

(I) Proposed issuance of 1.5 billion new ordinary shares in M&G ("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 JMM ("JMM PS") ("Proposed Issuance"); and

(II) Proposed subscription of up to 150.0 million new cumulative non-convertible redeemable preference shares in JMM for a total subscription of RM150.0 million ("Proposed Subscription").

(Collectively (I) and (II) above are referred to as the "Proposals")

In our opinion, the financial statements gives a true and fair view of the financial positions of the Group as of 30 April 2019, 31 December 2017 and 31 December 2016 and of its financial performances and cash flows for the years then ended in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

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 *Reporting Accountant's Responsibilities for the Audit of the Financial Statements* section of our reporting accountant's report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Company No. 198001002390 (56173-U)

Independence and Other Ethical Responsibilities

We are independent of the Group 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' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Responsibilities of the Directors for the Financial Statements

The Directors of the Company ("Directors") are responsible for the preparation of the financial statements of the Group that give a true and fair view in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards. The Directors are also responsible for such internal controls as the Directors determine is necessary to enable the preparation of the financial statements of the Group that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group, the Directors are responsible for assessing the ability of the Group 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 to cease operations, or have no realistic alternative but to do so.

Reporting Accountant's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group as a whole are free from material misstatement, whether due to fraud or error, and to issue a reporting accountant's 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:

i) Identify and assess the risks of material misstatement of the financial statements of the Group, 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 controls.

ii) Obtain an understanding of the internal controls 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 controls of the Group.

Reporting Accountant's Responsibilities for the Audit of the Financial Statements (continued)

iii) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

iv) 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 to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our reporting accountant's report to the related disclosures in the financial statements of the Group 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 to cease to continue as a going concern.

v) Evaluate the overall presentation, structure and content of the financial statements of the Group, including the disclosures, and whether the financial statements of the Group represent the underlying transactions and events in a manner that gives a true and fair view.

vi) 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.

Other Reporting Responsibility

In accordance with paragraph 10.05 of Chapter 10, Part II Division 1: Equity of the Prospectus Guidelines as issued by the Securities Commission Malaysia, we also report that the significant subsequent events identified by the Group since 30 April 2019 to the date of this report, are as disclosed in Note 21 to the consolidated financial statements.

Restriction on distribution and use

This report is made solely to comply with the Main Market Listing Requirements issued by Bursa Malaysia Securities Berhad and for inclusion in the circular to the shareholders of M&G in connection with the Proposals and should not be relied upon for any other purposes.

KPMG PLT	**Muhammad Azman Bin Che Ani**
(LLP0010081-LCA & AF 0758)	Approval Number: 02922/04/2020 J
Chartered Accountants	Chartered Accountant

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The Board of Directors
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Level 23, Plaza VADS
No.1, Jalan Tun Mohd Fuad
Taman Tun Dr Ismail
60000 Kuala Lumpur

13 December 2019

Dear Sirs

Marine & General Berhad ("M&G" or the "Company")

Report on the compilation of the pro forma consolidated statements of financial position as at 30 April 2019 for inclusion in the Company's circular to shareholders ("Circular") in connection with the:

(I) Proposed issuance of 1.5 billion new ordinary shares in M&G ("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 ("Proposed Issuance"); and

(II) Proposed subscription of up to 150.0 million new cumulative non-convertible redeemable preference shares ("CN-RPS") in JMM for a total subscription of RM150.0 million ("Proposed Subscription")

(Collectively (I) and (II) above are referred to as the "Proposals")

We have completed our assurance engagement to report on the compilation of the pro forma consolidated statements of financial position of M&G and its subsidiaries (collectively, the "M&G Group") as at 30 April 2019 ("Pro Forma Consolidated Statements of Financial Position") and the related notes as set out in Attachment I, which have been stamped by us for identification purposes. The applicable criteria on the basis of which the Board of Directors of M&G (the "Board") has compiled the Pro Forma Consolidated Statements of Financial Position are described in in the notes of Attachment I.

The Pro Forma Consolidated Statements of Financial Position have been compiled by the Board for inclusion in the Circular to solely illustrate the impact of the Proposals on M&G Group's consolidated statements of financial position as at 30 April 2019. As part of this process, information about M&G Group's financial position has been extracted by the Board from the financial statements of M&G Group for the financial year ended 30 April 2019, on which an audit report has been issued.

The Board's Responsibilities for the Pro Forma Consolidated Statements of Financial Position

The Board is responsible for compiling the Pro Forma Consolidated Statements of Financial Position on the basis described in the notes of Attachment I.

Reporting Accountants' Independence and Quality Control

We have complied with the independence and other ethical requirements of the *By-Laws (on Professional Ethics, Conduct and Practice)* issued by the Malaysian Institute of Accountants and the *Code of Ethics for Professional Accountants* issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies International Standard on Quality Control 1 (ISQC 1), *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements* issued by the International Auditing and Assurance Standards Board and adopted by the Malaysian Institute of Accountants, and accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion about whether the Pro Forma Consolidated Statements of Financial Position have been compiled, in all material respects, by the Board on the basis described in the notes of Attachment I.

We conducted our engagement in accordance with International Standard on Assurance Engagement (ISAE) 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the International Auditing and Assurance Standards Board and adopted by the Malaysian Institute of Accountants. This standard requires that we plan and perform procedures to obtain reasonable assurance about whether the Board has compiled, in all material respects, the Pro Forma Consolidated Statements of Financial Position on the basis described in the notes of Attachment I.

For the purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Consolidated Statements of Financial Position, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Consolidated Statements of Financial Position.

The purpose of the Pro Forma Consolidated Statements of Financial Position included in the Circular is solely to illustrate the impact of significant events or transactions on unadjusted financial information of M&G Group as if the events had occurred or the transactions had been undertaken at an earlier date selected for purposes of illustration. Accordingly, we do not provide any assurance that the actual outcome of the events or transactions would have been as presented.

Reporting Accountants' Responsibilities (continued)

A reasonable assurance engagement to report on whether the Pro Forma Consolidated Statements of Financial Position have been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Board in the compilation of the Pro Forma Consolidated Statements of Financial Position provide a reasonable basis for presenting the significant effects directly attributable to the events or transactions, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the Pro Forma Consolidated Statements of Financial Position reflect the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on our judgement, having regard to our understanding of the nature of M&G Group, the events or transactions in respect of which the Pro Forma Consolidated Statements of Financial Position have been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Consolidated Statements of Financial Position.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Pro Forma Consolidated Statements of Financial Position have been compiled, in all material respects, on the basis stated in the notes of Attachment I.

Other Matters

Our report on the Pro Forma Consolidated Statements of Financial Position has been prepared for inclusion in the Circular in connection with the Proposals and should not be relied upon for any other purposes.

KPMG PLT
LLP0010081-LCA & AF 0758
Chartered Accountants

Muhammad Azman Bin Che Ani
Approval Number: 02922/04/2020 J
Chartered Accountant

Attachment I

Marine & General Berhad (Company No. 199601033545 (405897-V))
Pro Forma Consolidated Statements of Financial Position and the notes thereon

Pro Forma Consolidated Statements of Financial Position

The pro forma consolidated statements of financial position of Marine & General Berhad ("M&G" or the "Company") and its subsidiaries (collectively the "M&G Group") as at 30 April 2019 ("Pro Forma Consolidated Statements of Financial Position") as set out below have been prepared for illustrative purposes only and to show the effects of the events or transactions referred to in the notes, and should be read in conjunction with the notes accompanying the Pro Forma Consolidated Statements of Financial Position:

	Note	As at 30 April 2019* RM'000	Pro Forma (I) After the Proposed Debt Restructuring and Proposed Issuance of JMM PS RM'000	Pro Forma (II) After (I) and the Proposed Subscription RM'000	Pro Forma (III) After (II) and the Proposed JMM PS Exchange and Proposed Issuance RM'000
Assets					
Property, vessels and equipment		852,024	852,024	852,024	852,024
Total non-current assets		852,024	852,024	852,024	852,024
Inventories		6,890	6,890	6,890	6,890
Other investments	5.1	114,323	64,323	64,323	64,323
Trade and other receivables		36,206	36,206	36,206	36,206
Tax recoverable		3,914	3,914	3,914	3,914
Cash and cash equivalents	5.2	25,397	21,397	21,397	21,397
		186,730	132,730	132,730	132,730
Total assets		**1,038,754**	**984,754**	**984,754**	**984,754**
Equity					
Share capital	5.3	270,003	270,003	270,003	420,003
Reverse acquisition deficit		(92,791)	(92,791)	(92,791)	(92,791)
Foreign currency translation reserve		(2,223)	(2,223)	(2,223)	(2,223)
Accumulated losses	5.4	(83,587)	(25,533)[(1)]	(25,533)	(78,033)[(4)]
Equity attributable to owners of the Company		91,402	149,456	149,456	246,956
Preference share of a subsidiary	5.5	-	97,500[(2)]	97,500	-
Non-controlling interests	5.6	(100,295)	(75,415)[(3)]	(75,415)	(75,415)
Total equity		**(8,893)**	**171,541**	**171,541**	**171,541**

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Attachment I

Marine & General Berhad
Pro Forma Consolidated Statements of Financial Position and the notes thereon

Pro Forma Consolidated Statements of Financial Position (continued)

	Note	As at 30 April 2019* RM'000	Pro Forma (I) After the Proposed Debt Restructuring and Proposed Issuance of JMM PS RM'000	Pro Forma (II) After (I) and the Proposed Subscription RM'000	Pro Forma (III) After (II) and the Proposed JMM PS Exchange and Proposed Issuance RM'000
Liabilities					
Loans and borrowings	5.7	50,702	743,923	743,923	743,923
Total non-current liabilities		50,702	743,923	743,923	743,923
Loans and borrowings	5.8	945,426	17,771	17,771	17,771
Trade and other payables		51,316	51,316	51,316	51,316
Taxation		203	203	203	203
Total current liabilities		996,945	69,290	69,290	69,290
Total liabilities		1,047,647	813,213	813,213	813,213
Total equity and liabilities		**1,038,754**	**984,754**	**984,754**	**984,754**
No. of M&G ordinary shares ("M&G Shares") ('000)		723,879	723,879	723,879	2,223,879
Net assets per M&G Share (sen)					
• excluding Preference shares of a subsidiary		12.63	20.65	20.65	11.10
• including Preference shares of a subsidiary		12.63	34.12	34.12	11.10
Gearing (times)					
• excluding Preference shares of a subsidiary		10.90	5.10	5.10	3.08
• including Preference shares of a subsidiary		10.90	3.08	3.08	3.08

Notes:

* *Extracted from the audited consolidated financial statements of M&G for the financial year ended 30 April 2019.*

(1) *After taking into account a restructuring gain of RM58 million attributable to M&G.*

(2) *Represents the exchange value (on the assumption that the fair value is RM0.065 per M&G Share) of RM150 million JMM PS issued by JMM to the Banks. pursuant to its Proposed Debt Restructuring (as defined herein), which is exchangeable into fixed numbers of M&G Shares.*

(3) *After taking into account a restructuring gain of RM24.9 million attributable to non-controlling interest.*

(4) *After taking into account the differences between the total amount of new M&G Shares to be issued at RM0.10 per M&G Share and the exchange value of JMM PS on initial recognition.*

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Attachment I

Marine & General Berhad
Pro Forma Consolidated Statements of Financial Position and the notes thereon

1. Introduction

The pro forma consolidated statements of financial position of Marine & General Berhad ("M&G" or the "Company") and its subsidiaries ("M&G Group") as at 30 April 2019 ("Pro Forma Consolidated Statements of Financial Position") have been compiled for inclusion in the Company's circular to shareholders ("Circular") in connection with the:

(I) Proposed issuance of 1.5 billion new ordinary shares in M&G ("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") convertible into new M&G Shares ("JMM PS") by the holders of JMM PS ("Proposed Issuance"); and

(II) Proposed subscription of up to 150.0 million new cumulative non-convertible redeemable preference shares ("CN-RPS") in JMM for a total subscription of RM150.0 million ("Proposed Subscription")

(Collectively (I) and (II) above are referred to as the "Proposals")

2. Details of the Proposed Debt Restructuring, Proposed Issuance of JMM PS, Proposed Subscription, Proposed JMM PS Exchange and the Proposed Issuance

Proposed Debt Restructuring

On 6 February 2018, M&G announced that JMM received approval from the Corporate Debt Restructuring Committee of Bank Negara Malaysia ("CDRC") for JMM's application for assistance to mediate between JMM and some of its subsidiaries with its financiers.

On 27 November 2019, MIDF Amanah Investment Bank Berhad ("MIDF Investment") had, on behalf of the Board of Directors of the Company (the "Board"), announced that the Company's 70%-owned subsidiary, JMM and its subsidiaries namely JM Global 3 (Labuan) PLC ("JMG 3") and JM Global 4 (Labuan) PLC ("JMG 4"), have on 27 November 2019 entered into the separate agreements with each of the bank namely Affin Bank Berhad ("ABB"), Maybank Islamic Bank Berhad ("MIB") and Bank Pembangunan Malaysia Berhad ("BPMB") (collectively referred to as the "Banks") to restructure the outstanding facilities by JMM and its subsidiaries to the Banks of RM923.2 million as at 31 December 2018 ("Outstanding Amounts") ("Proposed Debt Restructuring").

Pursuant thereto, JMM and its subsidiaries are proposing to undertake the Proposed Debt Restructuring, which will involve the restructuring of the Outstanding Amounts as follows:

(i) upfront cash payment to the Banks amounting to RM50.0 million ("Upfront Payment");

(ii) settlement of part of the Outstanding Amounts amounting to RM150.0 million via the Proposed Issuance of JMM PS (as defined herein); and

(iii) granting to JMM and its subsidiaries, JMG 3 and JMG 4, additional time to settle the balance Outstanding Amounts of RM723.2 million ("Term Financing").

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2. Details of the Proposed Debt Restructuring, Proposed Issuance of JMM PS, Proposed Subscription, Proposed JMM PS Exchange and the Proposed Issuance (continued)

Proposed Debt Restructuring (continued)

Upon completion of the Upfront Payment to the Banks and the Proposed Issuance of JMM PS, RM200.0 million of the Outstanding Amount shall be (and shall be deemed to be) fully and irrevocably settled, satisfied, released, discharged and cancelled. The Term Financing of approximately RM723.2 million shall be settled in accordance with the terms and conditions agreed upon between JMM, JMG 3, JMG 4 and the Banks.

Proposed Issuance of JMM PS

The Proposed Issuance of JMM PS will involve the settlement of RM150.0 million of the Outstanding Amounts via the issuance of 150.0 million JMM PS at the nominal value of RM1.00 to the Banks.

The JMM PS shall be transferable. For the avoidance of doubt, the JMM PS will not be listed and quoted on the Bursa Malaysia Securities Berhad ("Bursa Securities"). The JMM PS Holders shall have the right to exchange the JMM PS into 1.5 billion new M&G Shares at any time upon the issuance of the JMM PS. At the 10th anniversary of the issue date of the JMM PS, the JMM PS will be automatically surrendered to M&G in exchange for new M&G Shares.

Proposed Subscription

In addition to the Proposed Debt Restructuring, M&G intends to subscribe to up to 150.0 million CN-RPS for a total consideration of RM150.0 million.

Proposed JMM PS Exchange and the Proposed Issuance

The JMM PS may be presented and surrendered to M&G in exchange for new M&G Shares based on the exchange ratio of 1 RM1.00 nominal value JMM PS to 10 M&G Shares ("Proposed JMM PS Exchange"). The JMM PS Holders shall have the right to exchange the JMM PS into M&G Shares at the issue price of RM0.10 per M&G Share ("Issue Price") at any time upon the issuance of the JMM PS. At the 10th anniversary of the issue date of the JMM PS, the JMM PS will be automatically surrendered to M&G in exchange for new M&G Shares at the Issue Price.

Arising therefrom, the Company is proposing 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 ("Proposed Issuance").

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3. Basis of preparation

The Pro Forma Consolidated Statements of Financial Position have been compiled based on the audited consolidated financial statements of M&G for the financial year ended 30 April 2019, which had been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act 2016 in Malaysia. The Pro Forma Consolidated Statements of Financial Position do not include the effect of the adoption of MFRS issued by the Malaysian Accounting Standards Board which are effective for the annual period beginning on or after 1 January 2019.

The auditors' report of the audited consolidated financial statements of M&G for the financial year ended 30 April 2019 was not subject to any qualification, modification or disclaimer of opinion.

The Pro Forma Consolidated Statements of Financial Position of M&G, of which the Board of Directors of M&G (the "Board") is solely responsible, have been prepared for illustrative purposes only, to show the effects on the audited consolidated statement of financial position of M&G had the events/ transaction in Note 4 been effected on that date, and should be read in conjunction with the notes accompanying thereto.

4. Pro forma adjustments to the Pro Forma Consolidated Statements of Financial Position

The Pro Forma Consolidated Statements of Financial Position incorporate the following events or transactions:

Pro Forma (I) – Proposed Debt Restructuring and Proposed Issuance of JMM PS

Pro Forma I incorporates the effects of the Proposed Debt Restructuring and Proposed Issuance of JMM PS as follows:

	RM'000
Nominal value of borrowings subject to the Proposed Debt Restructuring	923,221
Less:	
Upfront cash payment	(50,000)
Proposed issuance of JMM PS	(150,000)
Nominal value of Restructured Islamic term financings	**723,221**

The Proposed Issuance of JMM PS entails the issuance of 150.0 million JMM PS to the Banks as part of the Proposed Debt Restructuring.

For the purpose of the Pro Forma Consolidated Statements of Financial Position, the following assumption was made:

a. The upfront cash payment is derived through the disposal of other investments of M&G.

b. The exchange value of the 150 million of JMM PS is assumed to be at RM0.065 per share, which was derived based on the market price of M&G shares as at 12 December 2019.

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Attachment I

Marine & General Berhad
Pro Forma Consolidated Statements of Financial Position and the notes thereon

4. Pro forma adjustments to the Pro Forma Consolidated Statements of Financial Position (continued)

Pro Forma (II) – Proposed Subscription

Pro Forma (II) incorporates the effects of Pro Forma (I) and the Proposed Subscription.

The issuance and the subscription of the CN-RPS is an intra-group transaction and hence there will be no effect arising from this to the Pro Forma Consolidated Statements of Financial Position.

Pro Forma (III) – Proposed JMM PS Exchange and the Proposed Issuance

Pro Forma (III) incorporates the effects of Pro Forma (I), Pro Forma (II) and the Proposed JMM PS Exchange and the Proposed Issuance.

5. Effects on the Pro Forma Consolidated Statements of Financial Position

5.1 Movement in other investments

	RM'000
Balance as at 30 April 2019	114,323
Effect of the Proposed Debt Restructuring:	
- Disposal of investments (Note 5.9)	(50,000)
Pro Forma (I) / Pro Forma (II) / Pro Forma (III)	**64,323**

5.2 Movement in cash and cash equivalents

	RM'000
Balance as at 30 April 2019	25,397
Effect of the Proposed Issuance of JMM PS and Proposed Issuance:	
- Payment of transaction costs in connection with the Proposed Issuance of JMM PS and Proposed Issuance (Note 5.9)	(4,000)
Pro Forma (I) / Pro Forma (II) / Pro Forma (III)	**21,397**

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Attachment I

Marine & General Berhad
Pro Forma Consolidated Statements of Financial Position and the notes thereon

5. Effects on the Pro Forma Consolidated Statements of Financial Position (continued)

5.3 Movement in share capital

	RM'000
Balance as at 30 April 2019 / Pro Forma (I) / Pro Forma (II)	270,003
Effect of the Proposed JMM PS Exchange:	
- Upon full surrender and exchange of the JMM PS	150,000
Pro Forma (III)	**420,003**

5.4 Movement in accumulated losses

	RM'000
Balance as at 30 April 2019	(83,587)
Effect of the Proposed Debt Restructuring:	
- Net restructuring gain attributable to the owners of the Company (Note 5.9)	58,054
Pro Forma (I) / Pro Forma (II)	**(25,533)**
Effect of the Proposed JMM PS Exchange and the Proposed Issuance	(52,500)
Pro Forma (III)	**(78,033)**

5.5 Movement in preference share of a subsidiary

	RM'000
Balance as at 30 April 2019	-
Effect of the Proposed Issuance of JMM PS:	
- Issuance of JMM PS (Note 5.9)	97,500
Pro Forma (I) / Pro Forma (II)	**97,500**
Effect of the Proposed JMM PS Exchange:	
- Upon full surrender and exchange of the JMM PS	(97,500)
Pro Forma (III)	**-**

5.6 Movement in non-controlling interests

	RM'000
Balance as at 30 April 2019	(100,295)
Effect of the Proposed Debt Restructuring:	
- Net restructuring gain attributable to non-controlling interests (Note 5.9)	24,880
Pro Forma (I) / Pro Forma (II) / Pro Forma (III)	**(75,415)**

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5. Effects on the Pro Forma Consolidated Statements of Financial Position (continued)

5.7 Movement in loans and borrowings (non-current)

	RM'000
Balance as at 30 April 2019	50,702
Effect of the Proposed Debt Restructuring:	
- Derecognition of loans and borrowings (Note 5.9)	(30,000)
- Recognition of new loans and borrowings (Note 5.9)	723,221
Pro Forma (I) / Pro Forma (II) / Pro Forma (III)	**743,923**

5.8 Movement in loans and borrowings (current)

	RM'000
Balance as at 30 April 2019	945,426
Effect of the Proposed Debt Restructuring	
- Derecognition of loans and borrowings (Note 5.9)	(927,655)
Pro Forma (I) / Pro Forma (II) / Pro Forma (III)	**17,771**

5.9 Net restructuring gain

	RM'000
Derecognition of loans and borrowings	
- non-current loans and borrowings (Note 5.7)	30,000
- current loans and borrowings (Note 5.8)	927,655
Upfront cash payment (Note 5.1)	(50,000)
Issuance of JMM PS (Note 5.5)	(97,500)
Recognition of new loans and borrowings (Note 5.7)	(723,221)
Transaction cost incurred in connection with the Proposed Debt Restructuring (Note 5.2)	(4,000)
Total net restructuring gain	**82,934**
Net restructuring gain attributable to:	
- the owners of the Company (Note 5.4)	58,054
- non-controlling interest (Note 5.6)	24,880
Total net restructuring gain	**82,934**

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JASAMERIN

29th November 2019

Board of Directors
Marine & General Berhad
Level 22, Axiata Tower
No. 9, Jalan Stesen Sentral 5
Kuala Lumpur Sentral
50470 Kuala Lumpur

Dear Sir/Madam,

JASA MERIN MALAYSIA SDN BHD ("JMM" OR "COMPANY")

(I) PROPOSED ISSUANCE OF 1.5 BILLION NEW ORDINARY SHARES IN MARINE & GENERAL BERHAD ("M&G") ("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 JMM CONVERTIBLE INTO NEW M&G SHARES ("JMM PS") BY THE HOLDERS OF JMM PS ("PROPOSED ISSUANCE"); AND

(II) PROPOSED SUBSCRIPTION BY M&G OF UP TO 150.0 MILLION NEW CUMULATIVE NON-CONVERTIBLE REDEEMABLE PREFERENCE SHARES ("CN-RPS") IN JMM FOR A TOTAL SUBSCRIPTION OF RM150.0 MILLION ("PROPOSED SUBSCRIPTION")

(COLLECTIVELY REFERRED TO AS THE "PROPOSALS")

On behalf of the Board of Directors of JMM ("**JMM Board**"), I report that after making due enquiries by the JMM Board from 30 April 2019, being the date on which the last audited financial statements of JMM have been made up, to this date, being a date not earlier than 14 days prior to the date of circular to the shareholders of M&G in relation to the Proposals ("**Circular**"), that:

(i) the business of JMM has, in the opinion of the JMM Board, been satisfactorily maintained;

(ii) in the opinion of the JMM Board, no circumstances have arisen since the date of the Company's last audited financial statements that have adversely affected the value of the assets of the Company;

(iii) the current assets of JMM appear in the books at values which are believed to be realizable in the ordinary course of business;

(iv) save as disclosed in the Circular, there are no contingent liabilities which have arisen by reason of any guarantee or indemnity given by JMM;

(v) the JMM Board is not aware of any default or any known event that could give rise to a default situation, in respect of payments of either interest and/or principal sums in relation to any borrowings by JMM since the date of the Company's last audited financial statements; and

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56173-U
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telephone +609 851 1100 fax +609 858 9258 email commercial@jasamerin.com.my
▪ Labuan Branch ▪
4TH FLOOR, PUBLIC BANK BUILDING, NO 5 JALAN MERDEKA, 87007 WILAYAH PERSEKUTUAN LABUAN, MALAYSIA.
telephone +6087 581 107 • 582 107 facsimile +6087 583 107 email labuan@jasamerin.com.my

(vi) there have been no unusual factors affecting the financial performance of JMM since the date of the Company's last audited financial statements.

Yours faithfully,
For and on behalf of
JASA MERIN MALAYSIA SDN BHD

ABDUL RAHMAN BIN ALI
Executive Vice Chairman

1. DIRECTORS' RESPONSIBILITY STATEMENT

The directors of the Company have seen and approved this Circular and they individually and collectively accept full responsibility for the accuracy of the information given and confirm that, after making all reasonable enquiries and to the best of their knowledge and belief, there are no false or misleading statements or other facts, the omission of which would make any statement in this Circular false or misleading.

2. CONSENT AND CONFLICT OF INTERESTS

(a) MIDF Investment

MIDF Investment, the Principal Adviser for the Proposals, has given and has not subsequently withdrawn its written consent to the inclusion in this Circular of its name and all references thereto in the form and context in which it appears in this Circular.

Malaysian Industrial Development Finance Berhad ("**MIDF**") is the holding company of MIDF Investment. MIDF, MIDF Investment and other subsidiaries of MIDF (collectively referred to as "**MIDF Group**") and its related and associated companies are involved in diversified financial activities. The MIDF Group has engaged and may in the future, engage in transactions with and perform services for M&G, M&G Group and its affiliates, in addition to MIDF Investment's role as the Principal Adviser for the Proposals. Further, in the ordinary course of business, any member of the MIDF Group may at any time offer or provide its services to or engage in any transaction (on its own account or otherwise) with any member of the M&G Group, or any other entity or transactions for its own account or the account of its customer. This is a result of the business of the MIDF Group generally acting independent of each other and accordingly, there may be situations where parts of the MIDF Group and/or its customers now have, or in the future, may have interest or take actions that may conflict with the said interest. Nonetheless, the MIDF Group is required to comply with applicable laws and regulations issued by the relevant authorities governing its advisory business, which require amongst others, segregation between dealing and advisory activities, and Chinese wall between different business divisions.

As at the LPD, MIDF Investment is not aware of any conflict of interest which exists or is likely to give rise to a possible conflict of interest situation by virtue of MIDF Investment's appointment as the Principal Adviser for the Proposals.

(b) Mercury Securities

Mercury Securities, the Independent Adviser for the Proposed Issuance, has given and has not subsequently withdrawn its written consent to the inclusion of its name and all references thereto in the form and context in which it appears in this Circular.

Mercury Securities confirms that as at the LPD, there is no conflict of interest situation that exists or is likely to exist as the Independent Adviser for the Proposed Issuance.

(c) KPMG PLT

KPMG PLT, being the Reporting Accountants for the Proposals, has given and has not subsequently withdrawn its written consent to the inclusion in this Circular of the letter on the pro forma consolidated statement of financial position of M&G as at 30 April 2019 together with Reporting Accountant's letter on JMM thereon in relation to the Proposals and all references thereto in the form and context in which it appears in this Circular.

KPMG PLT confirms that as at the LPD, there is no conflict of interest situation that exists or is likely to exist as the Reporting Accountants for the Proposals.

3. MATERIAL COMMITMENTS

Save as disclosed below, the Board is not aware of any other material commitments incurred or known to be incurred by the Group which, upon becoming enforceable may have a material impact on the profits and/or NA of the Group:

	RM'000
Approved and contracted for vessel and equipment*	36,453
Approved but not contracted for^	13,150

Note:

* *In relation to construction and docking of vessels*
^ *In relation to docking of vessels.*

4. CONTINGENT LIABILITIES

Save as disclosed below, the Board is not aware of any other contingent liabilities incurred or known to be incurred by the Group which, upon becoming enforceable may have a material impact on the profits and/or NA of the Group:

	RM'000
Contingent liabilities arising from the disposal of SILK	17,800

Pursuant to the disposal of SILK to Permodalan Nasional Berhad ("**PNB**") in 2017, 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.

5. MATERIAL LITIGATION, CLAIMS OR ARBITRATION

As at the LPD, our Group is not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, and our Board is not aware of any proceeding, pending or threatened, against the Group or of any facts likely to give rise to any proceeding which may materially affect the business or financial position of the Group.

6. MATERIAL CONTRACTS

Save for the Agreements and as disclosed below, our Group has not entered into any material contracts (not being contracts entered into in the ordinary course of business) during the 2 years preceding the date of this Circular:

(i) Subscription Agreement dated 28 February 2018 between Jasa Merin (Labuan) Plc ("**JML**"), Teng Keng Han ("**TKH**") and TKH Marine (L) Ltd ("**TML**") wherein JML and TKH agreed to subscribe for the shares in TML for a total cash consideration of USD2,493,000.00.

(ii) Deed of Assignment dated 28 February 2018 between TML and Ton Supply International Co. Ltd ("**TSI**") wherein TSI agreed to assign all of its rights, title, interests and benefits arising out of, relating to or in connection with the Memorandum of Agreement dated 25 October 2017 between TSI and Semua Shipping Sdn Bhd ("**SS**") for the vessel "Semua Gembira", in consideration of the payment by TML to SS for the sum of USD1,939,000.00.

(iii) Deed of Assignment dated 22 March 2018 between M&G Tankers (L) Pte Ltd ("**MTL**") and TSI wherein TSI agreed to assign all of its rights, title, interests and benefits arising out of, relating to or in connection with the Memorandum of Agreement dated 8 November 2017 between TSI and SS for the vessel "Semua Bahagia", in consideration of the payment by MTL to SS for the sum of USD2,742,300.00.

(iv) Contract Agreement dated 19 April 2018 between M&G Marine Logistics (L) Pte Ltd ("**MML**") and Muhibbah Marine Engineering Sdn Bhd ("**MME**") wherein MML agreed to appoint MME and MME agreed to be appointed for the design, construction, commissioning and delivery of one unit 108 meter 7000 DWT Product/ Chemical Tanker (Hull No. 20115) for the total consideration of RM54,602,820.00 ("**Building Contract**").

(v) Novation Agreement dated 21 October 2019 between MML, MME and M&G Sutera 8 Sdn Bhd ("**M&G 8**") wherein MML agreed to novate to M&G 8 all its rights and obligations under the Building Contract and MME agreed to release and discharge MML from the Building Contract upon M&G 8's undertaking to perform and be bound by the terms and conditions of the Building Contract.

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7. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at M&G's registered office at Level 22, Axiata Tower, No. 9, Jalan Stesen Sentral 5, Kuala Lumpur Sentral, 50470 Kuala Lumpur during normal business hours from Mondays to Fridays (except for public holidays) from the date of this Circular to the date of the forthcoming EGM:

(a) Agreements;

(b) Draft Call Option Agreements;

(c) Constitution of the Company and JMM;

(d) audited financial statements of the Company for the FYE 31 December 2017, 16-month FPE 30 April 2019 and the latest unaudited interim financial statements for the 3-month period ended 31 July 2019;

(e) audited consolidated financial statements of JMM for the FYE 31 December 2017 and 16-month FPE 30 April 2019;

(f) the Accountant's Report on JMM as set out in Appendix III of this Circular;

(g) the pro forma consolidated statements of financial position of M&G Group together with the reporting accountants' letter thereon as set out in Appendix IV of this Circular;

(h) the directors' report on JMM as set out in Appendix V of this Circular;

(i) letters of consent referred to in Section 2 of this Appendix; and

(j) material contracts referred to in Section 6 of this Appendix.

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MARINE & GENERAL
BERHAD

(Company No. 199601033545 (405897-V))
(Incorporated in Malaysia)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of Marine & General Berhad ("**M&G**" or the "**Company**") will be held at Dewan Berjaya, Bukit Kiara Equestrian & Country Resort, Jalan Bukit Kiara, Off Jalan Damansara, 60000 Kuala Lumpur on Tuesday, 31 December 2019 at 10.00am or at any adjournment thereof for the purpose of considering and if thought fit, passing the following resolution with or without modification:

ORDINARY RESOLUTION 1

PROPOSED ISSUANCE AND ALLOTMENT OF NEW ORDINARY SHARES IN M&G ("M&G SHARES") TO THE HOLDERS OF 150.0 MILLION IRREDEEMABLE PREFERENCE SHARES OF RM1.00 EACH IN JASA MERIN (MALAYSA) SDN. BHD. ("JMM PS") IN CONJUCTION WITH THE PROPOSED DEBT RESTRUCTURING BETWEEN THE JASA MERIN (MALAYSA) SDN. BHD. ("JMM") GROUP OF COMPANIES AND ITS EXISTING FINANCIERS ("PROPOSED ISSUANCE")

"**THAT** in conjunction with the proposed debt restructuring ("**Proposed Debt Restructuring**") involving RM923.2 million as at 31 December 2018 owing by JMM and its subsidiaries to its existing financiers ("**Banks**"), to be partly settled by the issuance of the JMM PS which are exchangeable for new M&G Shares, approval be and is hereby given to the Board of Directors of M&G ("**Board**") to allot and issue 1.5 billion new M&G Shares to the holders of the JMM PS based on the exchange ratio of 1 RM1.00 nominal value JMM PS to 10 M&G Shares ("**Exchange Rate**"), upon the surrender of the JMM PS by the holders of the JMM PS to M&G.

THAT pursuant to the separate call option agreements to be entered by the Banks with Abdul Rahman bin Ali, a major shareholder of the Company and Dato' Mohd Azlan bin Hashim, a director and major shareholder of the Company (collectively "**Promoters**"), the Board is authorized to issue up to 750 million new M&G Shares to each of the Promoters, from time to time.

THAT the new M&G Shares shall, upon allotment and issuance, rank equally in all respects with each other and with the existing M&G Shares, save and except that they will not be entitled to any dividends, rights, allotment and/or other distributions that may be declared, made or paid, the entitlement date of which is prior to the date of allotment and issuance of the new M&G Shares.

AND THAT the Board be and is hereby authorized to do all acts, deeds and things and to execute, sign and deliver on behalf of the Company all such documents and/or agreements, as the Board may deem necessary and/or expedient to finalise, implement and give full effect to complete the Proposed Issuance, including without limitation, with full power to consent to and to adopt and implement any conditions, modifications, variations and/or amendments in any manner as may be required by the relevant authorities or as the Board may deem fit or necessary in the best interest of the Company."

ORDINARY RESOLUTION 2

PROPOSED ACQUISITION OF JMM PS FROM ABDUL RAHMAN BIN ALI ("ARA") AND DATO' MOHD AZLAN BIN HASHIM ("MAH") ("PROPOSED ACQUISITION")

"**THAT** in conjunction with the Proposed Debt Restructuring, whereby the respective Banks will enter into separate call option agreements with ARA, a major shareholder of the Company and MAH, a director and major shareholder of the Company (collectively "**Promoters**") granting the Promoters the option to purchase the JMM PS from the Banks, approval be and is hereby given to the Board to purchase from the Promoters the JMM PS held by them to be satisfied by the issuance of up to 750 million new M&G Shares at the Exchange Rate to each of the Promoters.

MARINE & GENERAL
BERHAD

(Company No. 199601033545 (405897-V))
(Incorporated in Malaysia)

AND THAT the Board be and is hereby authorized to do all acts, deeds and things and to execute, sign and deliver on behalf of the Company all such documents and/or agreements, as the Board may deem necessary and/or expedient to finalise, implement and give full effect to complete the Proposed Acquisition, including without limitation, with full power to consent to and to adopt and implement any conditions, modifications, variations and/or amendments in any manner as may be required by the relevant authorities or as the Board may deem fit or necessary in the best interest of the Company."

ORDINARY RESOLUTION 3

PROPOSED SUBSCRIPTION OF UP TO 150.0 MILLION NEW CUMULATIVE NON-CONVERTIBLE REDEEMABLE PREFERENCE SHARES ("CN-RPS") IN JMM FOR A TOTAL SUBSCRIPTION OF RM150.0 MILLION ("PROPOSED SUBSCRIPTION")

"**THAT** the Company be and is hereby authorized to subscribe in tranches of up to 150.0 million new CN-RPS at the nominal value of RM1.00 each in JMM for a total consideration of RM150.0 million, subject to the salient terms as set out in section 4 of the Circular.

AND THAT the Board be and is hereby authorized to do all acts, deeds and things and to execute, sign and deliver on behalf of the Company all such documents and/or agreements, as the Board may deem necessary and/or expedient to finalise, implement and give full effect to complete the Proposed Subscription, including without limitation, with full power to consent to and to adopt and implement any conditions, modifications, variations and/or amendments in any manner as may be required by the relevant authorities or as the Board may deem fit or necessary in the best interest of the Company."

By order of the Board

LIM HUI MING (BC/L/740)
CHIA POH TIN (MAICSA 7055061)

Company Secretaries

Kuala Lumpur
16 December 2019

Notes:
(i) A member of the Company entitled to attend, participate, speak and vote in the Extraordinary General Meeting is entitled to appoint one (1) or more proxies to attend, participate, speak and vote in his stead. A proxy need not be a member of the Company but must be of full age of eighteen (18) years and above. There shall be no restriction as to the qualification of the proxy.
(ii) For the purpose of determining a member who shall be entitled to attend and vote at the Extraordinary General Meeting, the Company shall be requesting the Record of Depositors as at 5.00 p.m. on 23 December 2019. Only a depositor whose name appears on the Record of Depositors as at 5.00 p.m. on 23 December 2019 shall be entitled to attend, participate, speak and vote at the said meeting as well as for appointment of proxy(ies) to attend and vote on his stead.
(iii) The instrument appointing a proxy shall be in writing under the hand of the appointor of his attomey duly authorised in writing or, if the appointor is a corporation, either under seal or under the hand of an officer or attomey duly authorised.
(iv) A member other than an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 shall be allowed to appoint up to two (2) proxies to attend, participate, speak and vote for him at the Extraordinary General Meeting. Where a member appoints more than one (1) proxy, he must specify the proportion of his shareholdings represented by each proxy.
(v) The instrument appointing a proxy and the power of attomey or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited at the Registered Office of the Company at Level 22, Axiata Tower, No. 9, Jalan Stesen Sentral 5, Kuala Lumpur Sentral, 50470 Kuala Lumpur or sent by electronic communication, not less than twenty-four (24) hours before the time appointed for the taking of the poll for the Extraordinary General Meeting or any adjoumment thereof either by hand, post, fax to (03) 2273 8310 or email to crystal.chia@christopherleeong.com, and in default the instrument of proxy shall not be treated as valid.

FORM OF PROXY

Extraordinary General Meeting

Number of share(s) held	
CDS Account No.	

MARINE & GENERAL BERHAD
(Company No. 199601033545 (405897-V))
(Incorporated in Malaysia)

Registered Office :
Level 22, Axiata Tower
No. 9 Jalan Stesen Sentral 5
Kuala Lumpur Sentral
50470 Kuala Lumpur
Tel : 03-2273 1919
Fax : 03-2273 8310

PROXY "A"

I/We ………………………………………………………………… *NRIC No./Passport No./Company No.…………………………………………………………
Tel./HP No ……………………………………… of ………
……………………………………………………… being a member of MARINE & GENERAL BERHAD and entitled to vote hereby appoint……………………
……………………………………………………………………… *NRIC No./Passport No ………………………………………………………………………………
Tel./HP No ……………………………………… of ………
or failing him/her, the Chairman of the Meeting as my/our proxy to attend and vote for me/us on my/our behalf at the Extraordinary General Meeting of the Company to be held at Dewan Berjaya, Bukit Kiara Equestrian & Country Resort, Jalan Bukit Kiara, Off Jalan Damansara, 60000 Kuala Lumpur on Tuesday, 31 December 2019 at 10.00am or at any adjournment thereof.

WHERE THE MEMBER DESIRES TO APPOINT A 2ND PROXY, THIS SECTION MUST ALSO BE COMPLETED, OTHERWISE IT SHOULD BE DELETED

PROXY "B"

I/We ………………………………………………………………… *NRIC No./Passport No./Company No.…………………………………………………………
Tel./HP No ……………………………………… of ………
……………………………………………………… being a member of MARINE & GENERAL BERHAD and entitled to vote hereby appoint……………………
……………………………………………………………………… *NRIC No./Passport No ………………………………………………………………………………
Tel./HP No ……………………………………… of ………
or failing him/her, the Chairman of the Meeting as my/our proxy to attend and vote for me/us on my/our behalf at the Extraordinary General Meeting of the Company to be held at Dewan Berjaya, Bukit Kiara Equestrian & Country Resort, Jalan Bukit Kiara, Off Jalan Damansara, 60000 Kuala Lumpur on Tuesday, 31 December 2019, at 10.00am or at any adjournment thereof.

The proportions of my/our holding to be represented by my/our proxies are as follows :
1st Proxy "A" - ______ % (to be completed)
2nd Proxy "B" - ______ % (to be completed)
Total: 100 %

In case of a vote taken by a show of hands, *1st Proxy "A" / *2nd Proxy "B" shall vote on my/our behalf.

** Delete if inapplicable*

My/our proxy/proxies shall vote as follows :

(Please indicate with an "X" in the space below how you wish your votes to be cast. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting on the resolutions at his/their discretion)

No.	RESOLUTION	1ST PROXY "A"		2ND PROXY "B"	
		FOR	AGAINST	FOR	AGAINST
1.	Proposed Issuance				
2.	Proposed Acquisition				
3.	Proposed Subscription				

Dated this ………………………day of …………………………2019

Signature of Member...

Notes:

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(iv) *A member other than an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 shall be allowed to appoint up to two (2) proxies to attend, participate, speak and vote for him at the Extraordinary General Meeting. Where a member appoints more than one (1) proxy, he must specify the proportion of his shareholdings represented by each proxy.*

(v) *The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited at the Registered Office of the Company at Level 22, Axiata Tower, No. 9, Jalan Stesen Sentral 5, Kuala Lumpur Sentral, 50470 Kuala Lumpur or sent by electronic communication, not less than twenty-four (24) hours before the time appointed for the taking of the poll for the Extraordinary General Meeting or any adjournment thereof either by hand, post, fax to (03) 2273 8310 or email to crystal.chia@christopherleeong.com, and in default the instrument of proxy shall not be treated as valid.*

Fold this flap for sealing

Then fold here

AFFIX
STAMP

The Company Secretary
MARINE & GENERAL BERHAD
(Company No. 199601033545 (405897-V))

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

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