

26th ANNUAL GENERAL MEETING

3rd OCTOBER 2023

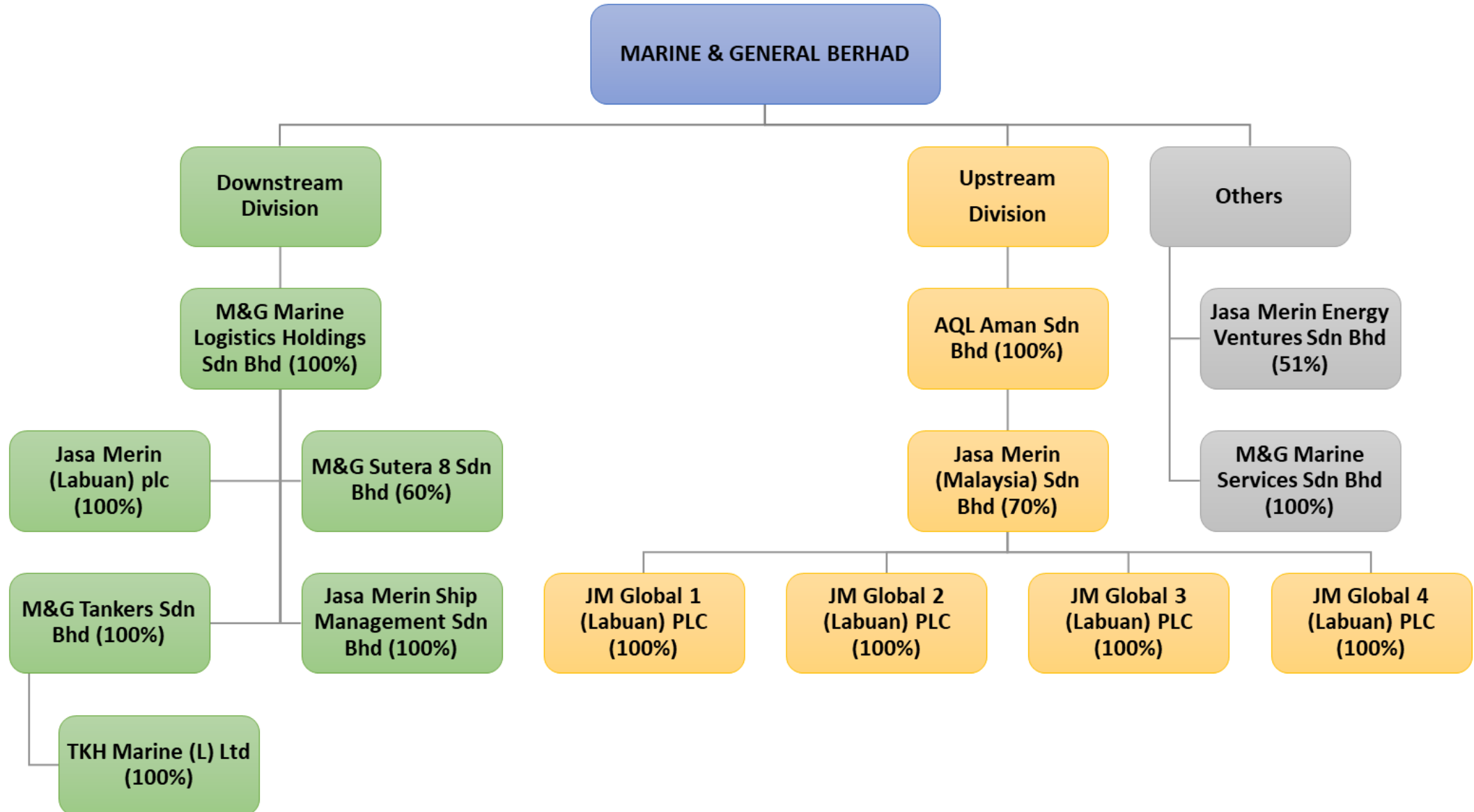


MARINE & GENERAL
BERHAD

Financial Briefing

- 1. Corporate Structure**
 - 2. Operating Conditions**
 - 3. Group Results**
 - 4. Prospects**
 - 5. Bursa Malaysia Securities Berhad**
- Practice Note 17**

1. CORPORATE STRUCTURE



2. OPERATING CONDITIONS

UPSTREAM DIVISION

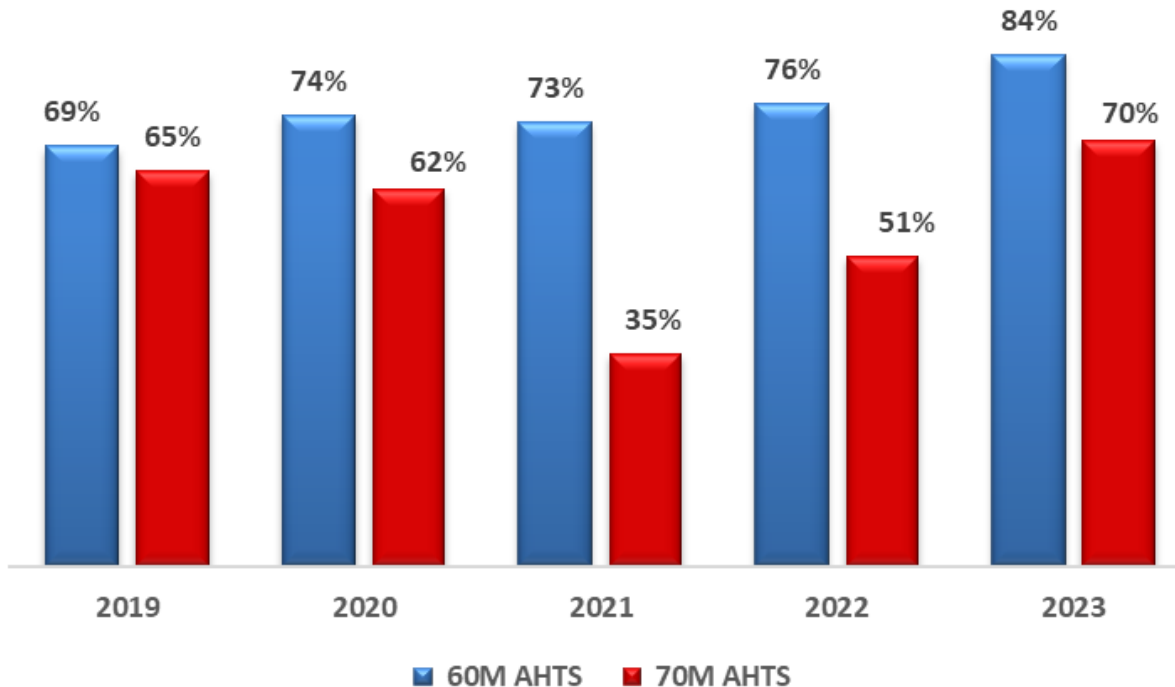
a. 2014 – 2023 Monthly Average Crude Oil Prices



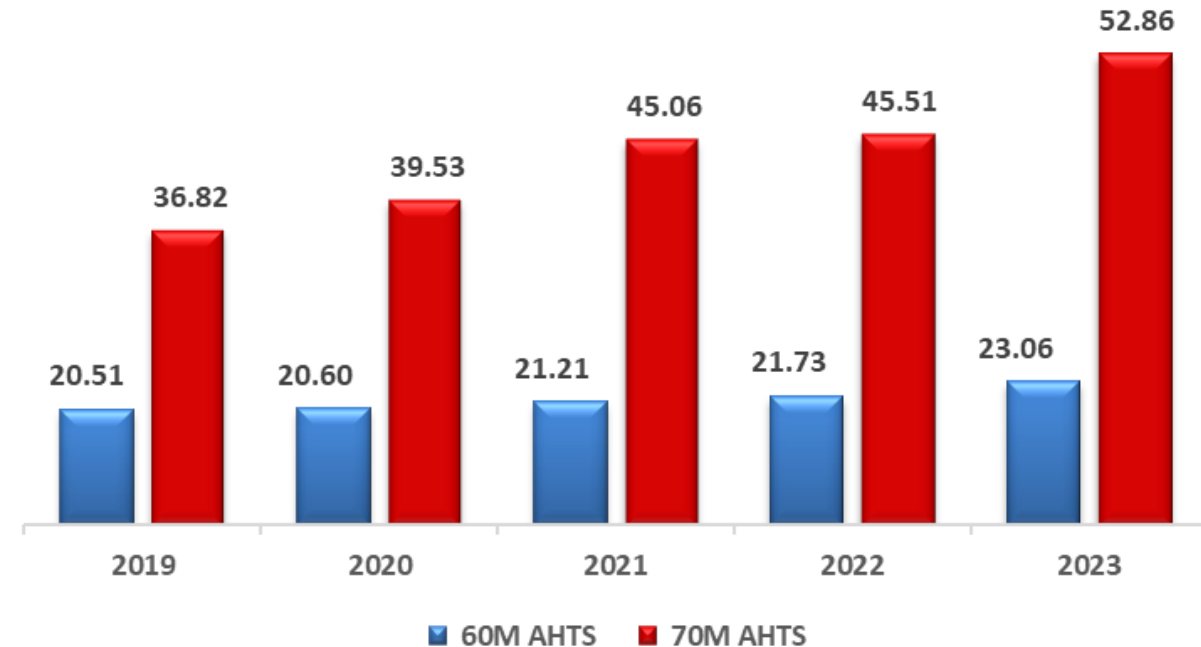
2. OPERATING CONDITIONS (CONT'D)

UPSTREAM DIVISION

b. Fleet utilisation



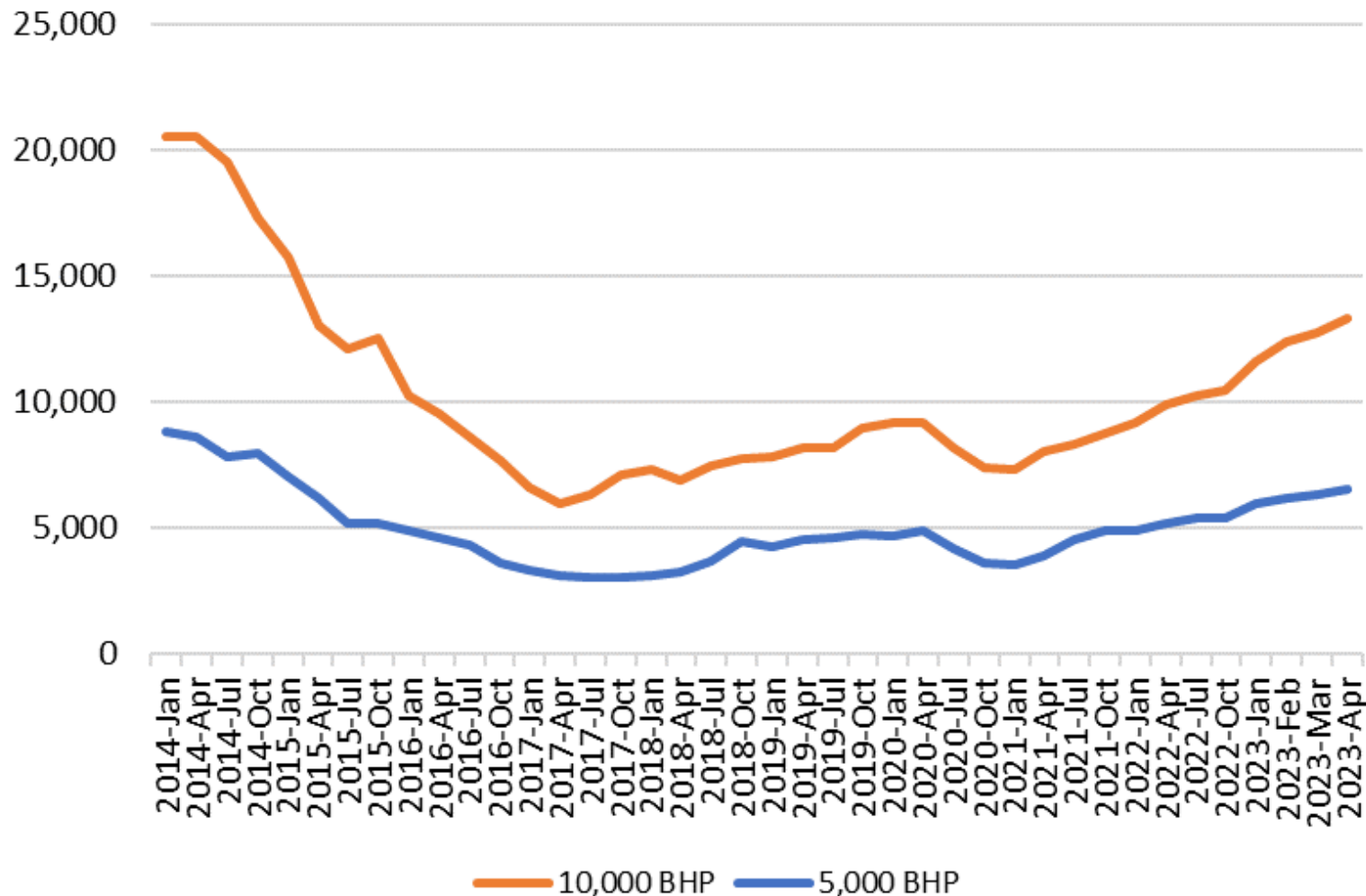
c. Average Daily Charter Rates (RM'000)



2. OPERATING CONDITIONS (CONT'D)

UPSTREAM DIVISION

d. 2014 – 2023 Average AHTS Daily Charter Rate (Asia Pacific)



2. OPERATING CONDITIONS (CONT'D)

e. UPSTREAM DIVISION

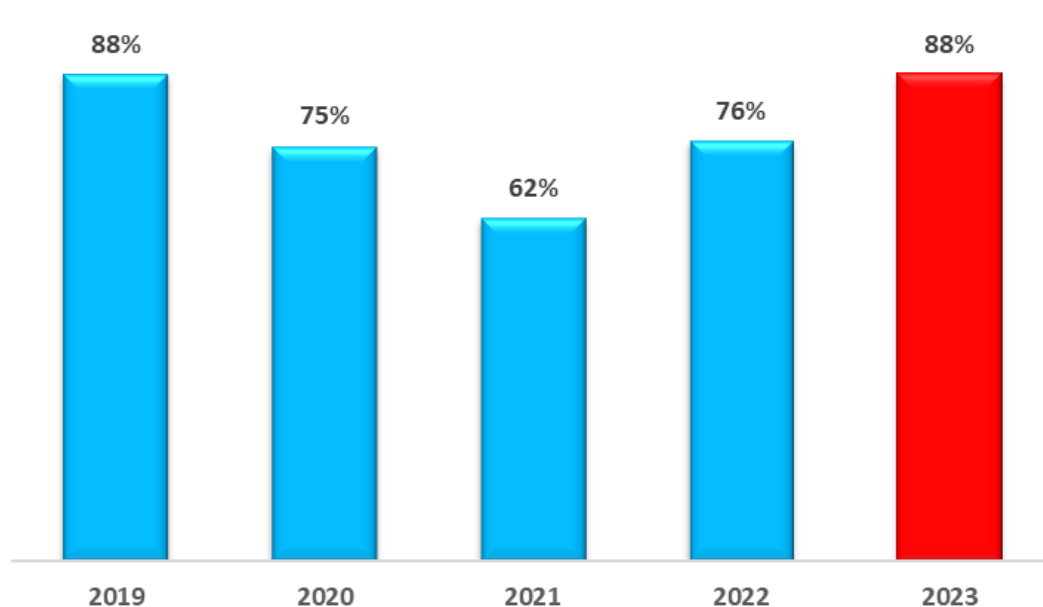
- In terms of operations, the Upstream Division was able to maintain a high standard of operational excellence and safety performance.
- As at the end of the financial year under review, the Division accumulated approximately 15.5 million man-hours without any Loss Time Injury (“LTI”).
- This is a commendable achievement given that the last LTI incident occurred in April 2013.
- The Division obtained Offshore Vessel Management and Self-Assessment (“OVMSA”) certification Level 2.0 from PETRONAS. This is a notable achievement reflecting the high standards of operational management.
- In line with the strong safety culture and performance, the Division received the following awards from its customers:
 - ENQUEST Recognition for Valued Vessel Contractor 2022
 - ENQUEST Recognition for the Contribution of Good HSE Performance

2. OPERATING CONDITIONS (CONT'D)

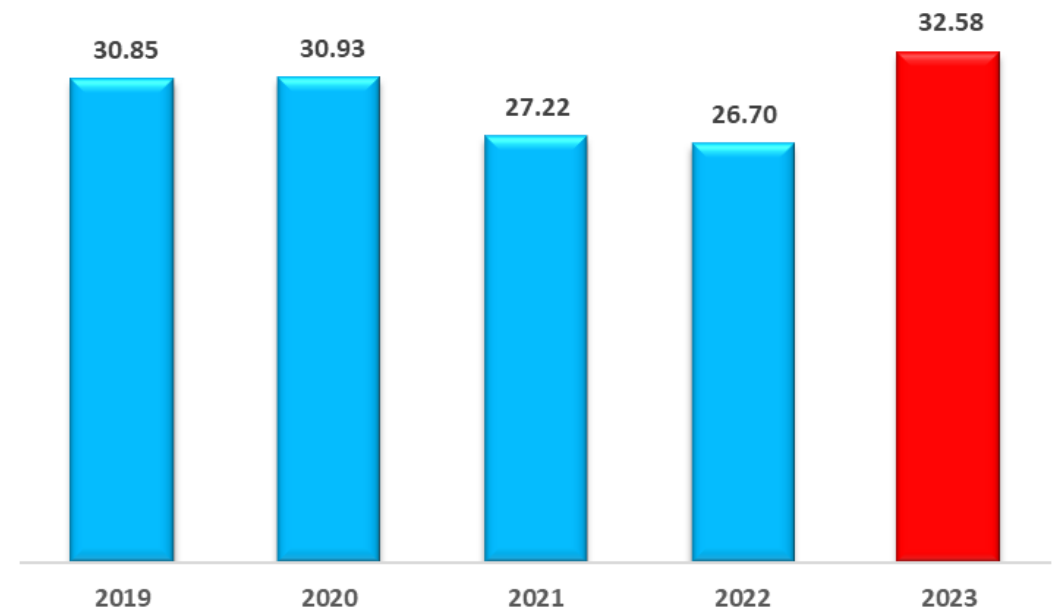
DOWNSTREAM DIVISION

- Buoyed by the continuing market recovery and improving vessel demand, Downstream Division continued to make progress and tanker utilisation improved to 88%, whilst the average daily charter rate increased by 4%.
- All of the tankers are on time charter contracts and therefore the utilisation rate is only influenced by vessel maintenance and scheduled dry-dockings during the year.

a. Tanker utilisation

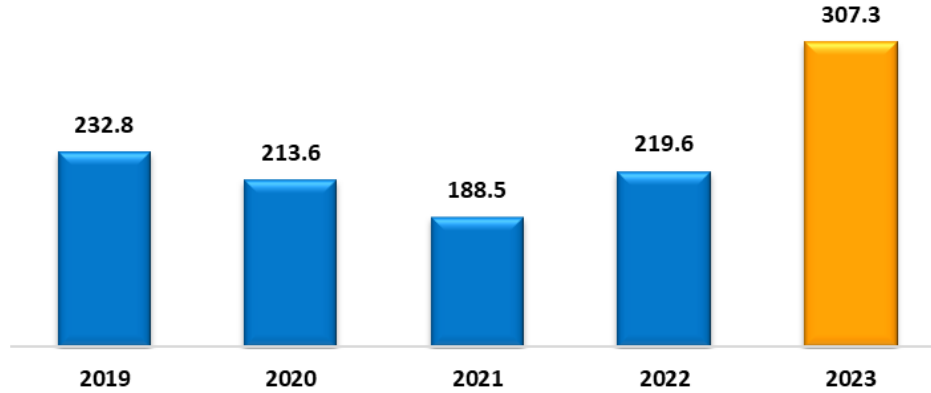


b. Time Charter rates (RM'000)

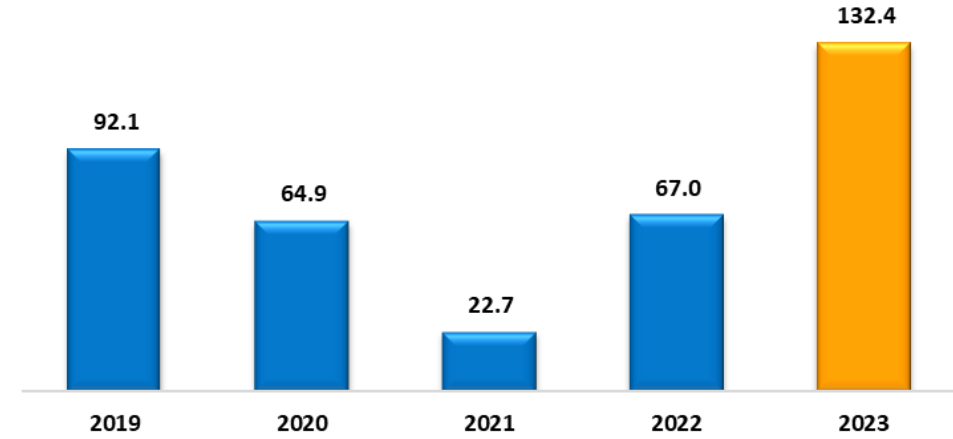


3. GROUP RESULTS

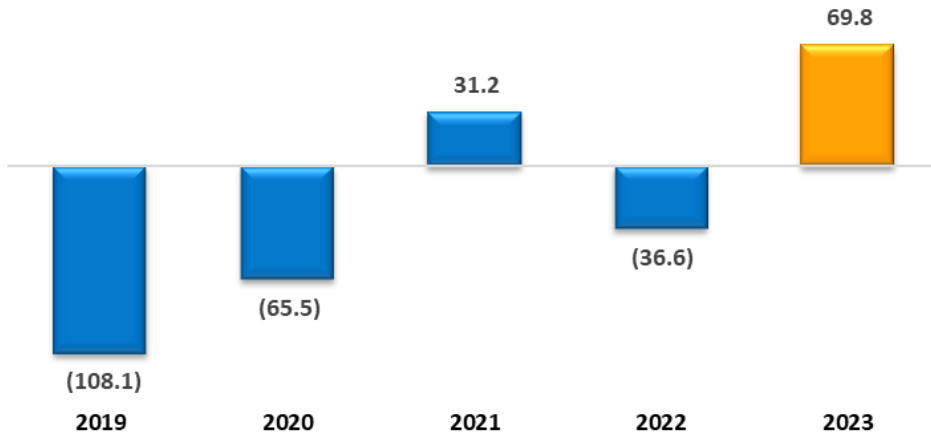
GROUP REVENUE
(RM'mil)



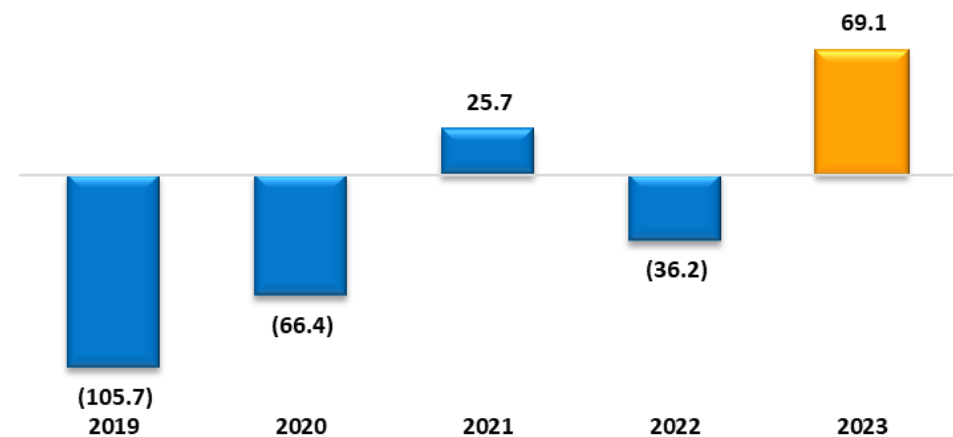
EBITDA
(RM'mil)



(LOSS)/PROFIT BEFORE TAX
(RM'mil)



(LOSS)/PROFIT AFTER TAX
(RM'mil)



3. GROUP RESULTS (CONT'D)

MARINE & GENERAL BERHAD FINANCIAL SUMMARY

Financial Period	2019 (16 months) ¹ RM'000	2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000	Change (2023 vs 2022) RM'000	Change
Revenue	232,753	213,598	188,543	219,596	307,284	87,688	40%
EBITDA	92,105	64,855	22,655	67,033	132,382	65,349	97%
(Loss)/Profit before tax	(108,142)	(65,525)	31,248	(36,593)	69,784	106,377	n/a
(Loss)/Profit after tax	(105,728)	(66,364)	25,731	(36,211)	69,120	105,331	n/a

Notes:

- The Group changed its financial year end from 31 December to 30 April in 2019. Accordingly, results for that period are for 16 months.

3. GROUP RESULTS (CONT'D)

	FY 2023 RM'000	FY 2022 RM'000	Change RM'000	%
Revenue	307,284	219,596	87,688	39.9%
Direct expenses	(231,115)	(225,760)	(5,355)	2.4%
Gross profit	76,169	(6,164)	82,333	**
Other income*	6,751	2,142	4,609	215.2%
Administrative and other expenses*	(22,124)	(23,461)	1,337	(5.7%)
Net gain/(loss) in impairment of financial instruments	400	(2,545)	2,945	(115.7%)
Net finance costs	(33,790)	(29,532)	(4,258)	14.4%
Profit/(loss) before net reversal of vessel impairment loss	27,406	(59,560)	86,966	(146.0%)
Net reversal of vessel impairment loss	42,378	22,967	19,411	84.5%
Profit/(loss) before taxation	69,784	(36,593)	106,377	**
Taxation	(664)	382	(1,046)	**
Profit/(loss) after taxation	69,120	(36,211)	105,331	**
Other comprehensive income, net of tax				
Foreign currency translation differences for foreign operations	2,417	6,696	(4,279)	(63.9%)
Other comprehensive income for the financial year, net of tax	71,537	(29,515)	101,052	**
Vessel charter days:				
- Upstream Division	5,917	5,314	603	11.3%
- Downstream Division	2,516	1,951	565	29.0%
Vessel utilisation				
- Upstream Division	73%	66%		10.6%
- Downstream Division	88%	76%		15.8%

* Amount after reclassification of the reversal of vessel impairment and vessel of impairment loss respectively.

** Not meaningful.

4. PROSPECTS

- In relation to the oil and gas market, **Brent oil prices** have **stabilized to between USD70 and USD 80 per barrel** in previous months, a reduction of approximately 30% from the highest levels in 2022. The price has subsequently recovered to **USD92 as at 1 Oct 2023**.
- On conservative side, analyst are predicting that **oil prices will remain above USD70** in the medium term.
- On the local front, analyst are positive on the medium-term prospects for the Malaysian oil and gas sector and expect that the budgeted capital spending by PETRONAS will proceed as planned.
- In this respect, the Company expect the **recovery of exploration and drilling activities** in Malaysia, which resumed in the second half of 2021, to continue for the next 3 to 5 years.
- Accordingly, the **Upstream Division** looks forwards to a more **active year ahead in FY 2024**.
- The Division **operates a fleet of 22 vessels**, ranging from **SSVs to 60M and 70M AHTS**.

4. PROSPECTS (CONT'D)

- In relation to the **Downstream Division**, the Division **expects the charter operations to continue to be active** in the next financial year, given **all the vessels** are on **time charter contracts**.
- The Division operates a fleet of **4 chemical tankers** and **4 Clean Petroleum Products (“CPP”) tankers**.
- Chemical tankers **offer the charterers more flexibility** to carry not only chemicals but also other products such as CPP and edible oils. This competitive advantage should **ensure good demand** for our chemical tankers.
- CPP tankers, the **commercial prospects over the medium term remain positive** given the Division’s excellent operating standards that will **ensure continued commercial competitiveness**, as well as the **shortage of Malaysian-flagged tankers** in the market.
- Nevertheless, the **Board is also cautious about the potential economic disruption** brought about by the geo-political instability in Europe that **could affect the regional and domestic economic climate**.
- In view of the foregoing, the **Board cautiously optimistic on the prospects** for the next financial year.

5. BURSA MALAYSIA SECURITIES BERHAD NOTE 17

- On 30 Sept 2021, M&G announced that it had triggered Bursa Malaysia Securities' Practice Note 17 (“PN17”) criteria that:
 - its **equity attributable** to the shareholders has **dipped below 25%** of its share capital and such **equity was below RM40 million**; and
 - external auditors, Messrs. KPMG PLT had included a **material uncertainty related to going concern in their audit report for FY 2022**, and that the equity attributable to shareholders was less than 50% of its share capital.
- However, pursuant to Bursa Securities’ relief measures **M&G is not classified as PN17 affected listed issuer and was given 18-months grace period up to 30 March 2023** to re-assess its situation.

5. **BURSA MALAYSIA SECURITIES BERHAD NOTE 17** **{CONT'D}**

- On 30 March 2023 and 4 April 2023 respectively, M&G announced that:
 - based on its unaudited management accounts as at 28 February 2023, its **equity attributable to shareholders** (“shareholders’ equity”) has **increased from RM34.2 million as at 31 July 2023 to RM45.4 million; and**
 - the **audit report** for the financial year ended **30 April 2022** was **not subject to any material uncertainty** related to going concern qualification.
- Accordingly, **M&G no longer triggered any of Bursa’s PN17 criteria.**
- As at **30 April 2023** and **31 July 2023**, the **shareholders’ equity** has further improved to **RM78.3 million and RM86.8 million** respectively.
- Given the **positive future prospects**, **Management does not foresee for the Group to trigger PN17 criteria** in the short and medium term.



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End of Briefing

Thank You

QUESTIONS AND ANSWERS

MINORITY SHAREHOLDERS WATCH GROUP

OPERATIONAL & FINANCIAL MATTERS

A1.	The Group reported a higher net reversal of vessel impairment loss of RM19.4 million, totaling RM42.4 million. This increase was due to stable vessel market values, driven by increased demand and PETRONAS' extension of Offshore Support Vessel ("OSV") service life from 15 years to 20 years (page 21 of Annual Report ("AR") 2023).	
A1.a	What were the criteria that PETRONAS considered when deciding to extend the service life of the offshore support vessel ("OSV") assets?	<p>PETRONAS did not disclose the criteria that they considered in arriving into their decision.</p> <p>The extension is given on blanket basis to all PETRONAS' licensed OSV service providers.</p> <p>However, given the quality of vessels built and appropriate maintenance, vessels are able to safely operate for even up to 25 years.</p>
A1.b	How will the extension contribute to the Group's short-term and long-term profitability?	The extension allows us to operate the vessels for additional 5 years and generate revenue for an extended period. This will contribute positively to profitability.
A1.c	What plans are in place to ensure the long-term viability and competitiveness of the extended vessel fleet?	<p>The Group regards regular maintenance as a very important part of its service delivery activities. This will not only enable it to provide continued and reliable services, but enhances the service life of its vessels.</p> <p>The affected vessels (vessel >15 years-old) undergo Condition Assessment Program ("CAP") survey every 3 years.</p>

OPERATIONAL & FINANCIAL MATTERS (cont'd)

A2.	<p>The Downstream Division primarily operates in USD, reducing its exposure to transactional exchange rate risk. For translation purposes, income and expenditures were averaged, resulting in a RM2.4 million gain. The Group opted not to hedge against translation exchange rate risk due to cost and complexity (page 21 of AR 2023).</p>
A2.a	<p>Given the recent gain from foreign currency translation but the potential for ongoing currency volatility, how confident is the Group that the decision not to hedge translation risk is sustainable over the long-term and what measures are in place to address any adverse developments?</p> <ul style="list-style-type: none"> ▪ Arosed from consolidation of subsidiaries financial statements denominated in USD, and therefore, have to be translated to RM based on the applicable exchange rates - assets and liabilities (year-end rate), equity (historical rate), income and expenditures (average rate for the financial year) pursuant to the accounting standard. ▪ An accounting gain, did not involve any cash flow. ▪ We have engaged with banking professionals who advised that hedging translational risk is a complex exercise and cost much more than hedging foreign currency transactional risk (risk of incurring foreign currency exchange loss arising from transactions), and accordingly is normally undertaken by large corporations. Hence, decision to hedge the translational risk for M&G ultimately will be dependent on the perceived risk and rewards. ▪ For foreign currency transactions (income and expenditures), they are translated using the spot exchange at the time the transaction takes place, and any gain or loss are recorded as part of foreign currency gain/(loss) disclosed in other income or other expenses. ▪ The Group has a natural hedge against the foreign currency transaction risk given that a substantial amount of the Downstream Division revenue their expenditures are in USD. ▪ We will continue to monitor the situation and assess the risks going forward.

OPERATIONAL & FINANCIAL MATTERS (cont'd)

A2.b	Are there alternative strategies or instruments the Group could consider in mitigating translation risk without incurring significant costs or complexity?	Management will continue to engage with professionals in this field to assess any alternative strategies.
A3.	The Group's trade receivables credit impaired that were past due more than 90 days have increased significantly from RM1.3 million in FYE 2022 to RM2.7 million in FYE 2023 (page 138 of AR 2023).	
A3.a	What were the difficulties faced by the Group in the collection of the trade receivables that were past due more than 90 days as the outstanding amount increased significantly?	<ul style="list-style-type: none"> ▪ Part of the increase is due to increase in revenue. ▪ Substantially relates to an account that is facing severe financial difficulties. ▪ We have fully impaired the amount.
A3.b	Who are the customers and who make up this category (past due 90 days) of the Group's receivables on FYE 2023 and what are their profiles?	<ul style="list-style-type: none"> ▪ It would not be appropriate to divulge the individual company details. ▪ However, of the total outstanding at 30 April 2023, RM34K has been collected and RM2.6 million has been impaired.

OPERATIONAL & FINANCIAL MATTERS (cont'd)

A3.c To-date, how much of this overdue amount has been collected?

	<u>26-Sep-23</u>	<u>30-Apr-23</u>	<u>30-Apr-22</u>
	RM'000	RM'000	RM'000
Credit impaired receivables:			
- Upstream Division	2,241	2,241	87
- Downstream Division	427	431	1,168
	<u>2,668</u>	<u>2,672</u>	<u>1,255</u>

- In relation to the Upstream Division, we have collected RM25K from the balance due from 30 April 2022.
- For the Downstream Division, we have recovered RM839K from these creditors todate.

OPERATIONAL & FINANCIAL MATTERS (cont'd)

A4.	The carrying amounts of investments in subsidiaries in FYE 2022 and FYE 2023 of RM112.3 million and RM117.3 million are material and significant to the total assets of the Group on the company level (page 80 of AR 2023).
A4.a	<p data-bbox="239 396 779 658">What is the Group's outlook for the performance and contribution of these subsidiary investments over the long-term?</p> <p data-bbox="807 396 2420 606">The Board is positive on the long term prospects of both the Upstream and Downstream Division in line with the continued growth prospect of the country and the growing demand for crude oil, although at a slower rate as the world is transitioning to green energy sources.</p> <p data-bbox="807 629 2420 1003">Oil demand will be driven mainly by the continued increase in petrochemical feedstock requirements as well as air travel. International Energy Agency in its report in June 2023 predicted that global demand for oil is expected to increase to 105.7 million barrels per day in 2028, up by 6.5 million barrels per day from 2022 while McKinsey in February 2021 estimated global oil demand to increase by 38 million barrels per day in 2040 from the 2021 level, with the new oil production mostly from offshore and shale resources.</p> <p data-bbox="807 1026 2420 1182">This bodes well for our Upstream Division which supports both oil production with the fleet of 60M anchor handling tug and supply vessels ("AHTS") and straight supply vessels ("SSV"), and exploration and drilling activities with the fleet of 70M AHTS.</p> <p data-bbox="807 1205 2420 1300">For the Downstream Division, one of the key factors is the growing regional trade volume which is expected to continue.</p>

OPERATIONAL & FINANCIAL MATTERS (cont'd)

A4.b	<p>Given the substantial nature of these investments, how does the Group prioritize capital allocation between subsidiary investments and other growth opportunities?</p>	<p>Although there are and will be many growth opportunities for both divisions, the Board is mindful of the Group financial resources/limitation.</p> <p>Currently, the contributions from the divisions are 75:25 in favor of the Upstream Division.</p> <p>In relation to the investment mix, the Group wishes to balance the contributions from the Upstream and Downstream Divisions in the future, and at the same time, strengthen our position as market leader for domestic coastal tankers.</p> <p>Key drivers for the Downstream / Tanker Division are:</p> <ul style="list-style-type: none">▪ Malaysian continued economic recovery and growth, and▪ Charter's steady and growing requirements.
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CORPORATE GOVERNANCE MATTERS

A5.

The Group has deviated from Practice 1.3 of the Malaysian Code of Corporate Governance (“MCCG”), as the position of Chairman of the Board is being headed by the Executive Chairman, Tan Sri Mohammed Azlan bin Hashim (page 6 of Corporate Governance (“CG”) Report 2023).

Separation of the positions of the Chairman and CEO promotes accountability and facilitates the division of responsibilities between them. In this regard, no one individual can influence the board’s discussions and decision-making (as per Guidance 1.3 of MCCG).

What measures have been put in place to ensure the independence of the board in overseeing the management team especially since the Chairman who leads the board is also the CEO of the Company?

- The Board is headed by the Executive Chairman, Tan Sri Mohd Azlan bin Hashim.
- Decisions by the Board are only made after the issues have been deliberated at length by the Board, the majority of Members of which are Independent. Each Board member is given an opportunity to express their views.
- The Executive Chairman’s role in the day-to-day operations of the Company is explained in the Board Charter.
- The Executive Chairman is neither a member of the Audit Committee nor the Nomination & Remuneration Committee. He does not attend any of the Audit Committee meetings. These Committees provide a check and balance of matters that may involve the interest of the Executive Chairman.
- In addition, where matters relating to the Executive Chairman are being discussed during a Board meeting, the Executive Chairman will excuse himself from the meeting and the meeting will be chaired by the next most senior independent director at the meeting.
- The Executive Chairman is also subject to the Financial Authority Limits / Limits of Authority which sets pre-defined limits on his authority.

CORPORATE GOVERNANCE MATTERS (cont'd)

A6.

The existing composition of the Board lacks diversity, with only one female Director, constituting just 11% of the total. This falls far below the recommended 30% target outlined in Practice 5.9 of the MCCG (page 30 of CG Report 2023).

Given the current lack of diversity on the Board, are there ongoing initiatives to identify suitable female candidates for upcoming Director positions within the Group? If such efforts are in progress, when do you anticipate achieving this objective?

- The Board recognises the recommendation of the Malaysian Code of Corporate Governance issued by the Securities Commission Malaysia to have at least 30% women Directors on the Board. The Board currently has one female member on its Board representing 11% of the Board.
- Although the Company has some ways to meet the gender diversity recommendations of the MCCG, in recent times, it has improved the skills diversity of its Board members, which should be of some importance as well. The current M&G Board is made up of individuals with diverse skillsets, ranging from an entrepreneur, an engineer, former accountants/bankers, former O&G industry exec and a lawyer.
- With the current set of directors providing guidance, it is hoped that M&G will make itself an attractive option for any prospective director candidates going forward. This is a process that will take some time, but M&G is confident that it will be able to improve its attractiveness to candidates.
- The Board will continue to review the composition of the Board on a regular basis.



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Thank You