



MARINE & GENERAL
BERHAD

MARINE & GENERAL BERHAD (405897-V)
(formerly known as SILK HOLDINGS BERHAD)

INTERIM RESULT FOR THE PERIOD ENDED
30 JUNE 2017 (Q2 2017)

Contents:

- 1. Unaudited result for period ended 30 June 2017**
- 2. Statement of Financial Position as at 30 June 2017**
- 3. Statement of Changes in Equity for the period ended 30 June 2017**
- 4. Statement of Cash Flows for the period ended 30 June 2017**
- 5. Explanatory notes pursuant to MFRS 134 and Appendix 9B of the Main Board Listing Requirements of Bursa Malaysia Securities Berhad**

MARINE & GENERAL BERHAD (405897-V)*(formerly known as SILK Holdings Berhad)***(Incorporated in Malaysia)****UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 JUNE 2017****CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	Notes	Individual Quarter		Cumulative Quarter	
		Current Year Quarter 30-June-2017 RM '000	Preceding Year Corresponding Quarter 30-June-2016 RM '000	Current Year To Date 30-June-2017 RM '000	Preceding Year Corresponding Period 30-June-2016 RM '000
Continuing operations					
Revenue		37,815	41,231	68,516	88,120
Direct costs		(24,156)	(18,679)	(45,376)	(32,122)
Gross profit		13,659	22,552	23,140	55,998
Administrative expenses		(30,234)	(28,493)	(58,737)	(55,432)
Other expenses		(49,079)	-	(49,078)	-
Result from operating activities		(65,654)	(5,941)	(84,675)	566
Finance income	A7	2,378	103	2,383	379
Finance costs	A7	(14,981)	(14,796)	(30,096)	(28,873)
Net finance cost		(12,603)	(14,693)	(27,713)	(28,494)
Loss before taxation		(78,257)	(20,634)	(112,388)	(27,928)
Taxation	A8	11,157	3,242	18,052	3,050
Loss after taxation		(67,100)	(17,392)	(94,336)	(24,878)

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	Notes	Individual Quarter		Cumulative Quarter	
		Current Year 30-June-2017 RM '000	Preceding Year Corresponding Quarter 30-June-2016 RM '000	Current Year To Date 30-June-2017 RM '000	Preceding Year Corresponding Period 30-June-2016 RM '000
Discontinued operation					
Profit/(loss) from discontinued operation, net of tax	A9	383,585	(4,052)	386,288	(6,840)
Profit/(loss) for the year		316,485	(21,444)	291,952	(31,718)
Net profit/(loss) and total comprehensive income attributable to:					
Owners of the parent		337,231	(16,928)	321,251	(24,626)
Non-controlling interests		(20,746)	(4,516)	(29,299)	(7,092)
		316,485	(21,444)	291,952	(31,718)
Earnings/(loss) per share (sen)	A10				
- from continuing operations		(6.61)	(1.84)	(9.27)	(2.54)
- from discontinued operations		54.68	(0.58)	55.06	(0.98)
Basic earnings/(loss) per share		48.07	(2.42)	45.79	(3.52)

The condensed consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016 and the accompanying explanatory notes attached to the interim financial statements.

MARINE & GENERAL BERHAD (405897-V)*(formerly known as SILK Holdings Berhad)***(Incorporated in Malaysia)****UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 JUNE 2017****CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

		30-June-2017	Audited 31-Dec-2016
	Notes	RM '000	RM '000
Assets			
Non-current assets			
Concession intangible assets		-	934,884
Property, vessels and equipment		1,100,654	1,200,428
Deferred tax assets		-	139,879
Goodwill on consolidation		-	13,236
		<u>1,100,654</u>	<u>2,288,427</u>
Current assets			
Inventories		1,561	1,206
Trade and other receivables		41,222	60,332
Tax recoverable		65	63
Cash and cash equivalents	A12	<u>363,548</u>	<u>111,878</u>
		<u>406,396</u>	<u>173,479</u>
Total assets		<u>1,507,050</u>	<u>2,461,906</u>
Equity and liabilities			
Equity attributable to equity holders of the Company			
Share capital	A13	262,853	175,383
Share premium	A13	-	87,470
Retained earnings/(Accumulated losses)		263,918	(57,333)
Reverse acquisition deficit		<u>(92,791)</u>	<u>(92,791)</u>
		433,980	112,729
Non-controlling interests		<u>3,813</u>	<u>33,112</u>
Total equity		<u>437,793</u>	<u>145,841</u>

MARINE & GENERAL BERHAD (405897-V)*(formerly known as SILK Holdings Berhad)***(Incorporated in Malaysia)****UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 JUNE 2017****CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

		30-June-2017	Audited
	Notes	RM '000	31-Dec-2016
			RM '000
Non-current liabilities			
Borrowings	A14	907,701	1,282,865
Ijarah rental payable	A14	-	378,730
Deferred tax liabilities		17,180	36,296
Provisions		-	65,088
		924,881	1,762,979
Current liabilities			
Borrowings	A14	86,373	348,825
Trade and other payables	A15	57,368	96,560
Ijarah rental payable	A14	-	59,329
Provision for taxation		635	270
Provisions		-	48,102
		144,376	553,086
Total liabilities		1,069,257	2,316,065
Total equity and liabilities		1,507,050	2,461,906
Net assets per share attributable to equity holders of the Company		RM 0.62	RM 0.16

The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016 and the accompanying explanatory notes attached to the interim financial statements.

MARINE & GENERAL BERHAD (405897-V)

(formerly known as SILK Holdings Berhad)

Incorporated in Malaysia

UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 JUNE 2017

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	← Attributable to equity holders of the Company →						
	Share capital	← Non - distributable →		Reverse acquisition deficit	Distributable Retained earnings/ (Accumulated losses)	Non- Controlling interests	Total
RM'000		Share premium	RM'000				
Note	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2017	175,383	87,470	(92,791)	(57,333)	33,112	145,841	
Total comprehensive income/(loss) for the period	-	-	-	321,251	(29,299)	291,952	
Transition in accordance with section 618(2) of the Companies Act 2016 to no-par value regime on 31 January 2017	A13 87,470	(87,470)					
At 30 June 2017	<u>262,853</u>	<u>-</u>	<u>(92,791)</u>	<u>263,918</u>	<u>3,813</u>	<u>437,793</u>	
At 1 January 2016	175,383	87,470	(92,791)	16,741	62,044	248,847	
Total comprehensive loss for the period	-	-	-	(24,626)	(7,092)	(31,718)	
At 30 June 2016	<u>175,383</u>	<u>87,470</u>	<u>(92,791)</u>	<u>(7,885)</u>	<u>54,952</u>	<u>217,129</u>	

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016 and the accompanying explanatory notes attached to the interim financial statements.

MARINE & GENERAL BERHAD (405897-V)*(formerly known as SILK Holdings Berhad)***(Incorporated in Malaysia)****UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 JUNE 2017****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Notes	30-June-17 RM '000	30-June-16 RM '000
CASH FLOWS FROM OPERATING ACTIVITIES			
Collection of revenue		121,517	170,695
Collection of other income		3,029	2,003
		<u>124,546</u>	<u>172,698</u>
Payment of expenses		(71,223)	(48,651)
Net tax paid		(717)	(951)
Net cash generated from operating activities		<u>52,606</u>	<u>123,096</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of a subsidiary	A9	342,212	-
Proceeds from disposal of plant and equipment		-	438
Purchase of property, vessels and equipment		(22,229)	(98,883)
Highway development expenditure		(1,142)	(2,043)
Net cash generated from/(used in) investing activities		<u>318,841</u>	<u>(100,488)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Drawdown of borrowings		8,000	87,886
Repayment of borrowings		(36,273)	(68,850)
Payment of finance costs		(91,504)	(61,693)
Net cash used in financing activities		<u>(119,777)</u>	<u>(42,657)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		251,670	(20,049)
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD		111,878	95,938
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD	(a)	363,548	75,889

MARINE & GENERAL BERHAD (405897-V)*(formerly known as SILK Holdings Berhad)*

(Incorporated in Malaysia)

UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 JUNE 2017**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

(a) Cash and cash equivalents

(i) Cash and cash equivalents included in the statement of cash flows comprise the following statement of financial position amounts:

	2017	2016
	RM'000	RM'000
Cash and bank balances	6,416	5,448
Deposits with licensed financial institutions	357,132	70,441
	363,548	75,889

(ii) Reconciliation of 2017 cash and cash equivalents

	Continuing	Discontinued	Total
	operation	operation	Total
	RM'000	RM'000	RM'000
Cash and bank balances	6,416	-	6,416
Deposits places with licensed banks	357,132	-	357,132
	363,548	-	363,548

The condensed consolidated statement of cash flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016 and the accompanying explanatory notes attached to the interim financial statements.

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

A1. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements have been prepared in accordance with MFRS 134 Interim Financial Reporting and IAS 34 Interim Financial Reporting.

The condensed consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the period ended 31 December 2016.

The accounting policies adopted are consistent with those of the previous financial period except for the adoption of new and amended standards as set out below:

a. New and amended standards adopted by the Group

A number of new and amended standards have become applicable for the current reporting period. However, the Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

b. Standards issued but not yet effective

At the date of authorisation of this financial statement, the following MFRS and Amendments to MFRSs were issued but not yet effective and have not been applied by the Group:

MFRSs, Interpretations and amendments to MFRS	Effective date
▪ MFRS 9, <i>Financial Instruments (2014)</i>	1 January 2018
▪ MFRS 15, <i>Revenue from Contracts with Customers</i>	1 January 2018
▪ Clarifications to MFRS 15, <i>Revenue from Contracts with Customers</i>	1 January 2018
▪ IC Interpretation 22, <i>Foreign Currency Transactions and Advance Consideration</i>	1 January 2018
▪ Amendments to MFRS 1, <i>First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvement to MFRS Standards 2014-2016 Cycle)</i>	1 January 2018
▪ Amendments to MFRS 2, <i>Share-based Payment - Classification and Measurement of Share-based Payment Transactions</i>	1 January 2018
▪ Amendments to MFRS 4, <i>Insurance Contracts - Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts</i>	1 January 2018

A1. BASIS OF PREPARATION (continued)

MFRSs, Interpretations and amendments to MFRS	Effective date
▪ Amendments to MFRS 128, <i>Investment in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014-2016 Cycle)</i>	1 January 2018
▪ Amendments to MFRS 140, <i>Investment Property - Transfers of Investment Property</i>	1 January 2018
▪ MFRS 16, <i>Leases</i>	1 January 2019
▪ Amendments to MFRS 10, <i>Consolidated Financial Statements</i> and MFRS 128, <i>Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.</i>	To be confirmed

The Group are expected to apply the above pronouncements beginning from the respective dates the pronouncements become effective. The Group is currently assessing the impact of adopting the pronouncements.

A2. CORPORATE INFORMATION

During the period, the Company completed the disposal of its highway infrastructure subsidiary, Sistem Lingkaran-Lebuhraya Kajang Sdn Bhd. As part of the terms of the disposal, the Company has changed its name from SILK Holdings Berhad to Marine & General Berhad.

The Company is a public limited liability company incorporated and domiciled in Malaysia, and is listed on Bursa Malaysia Securities Berhad.

These condensed consolidated interim financial statements were approved by the Board of Directors on 29 August 2017.

A3. CHANGES IN ESTIMATES

There were no changes in estimates of amounts that would have material effect in the current period.

A4. CHANGES IN THE COMPOSITION OF THE GROUP

On 18 January 2017, the Company entered into a conditional Share Purchase Agreement to dispose its entire equity interest in Sistem Lingkaran-Lebuh raya Kajang Sdn. Bhd. (“SILK”) to Permodalan Nasional Berhad (“the Transaction”). As stated in A21, the Transaction was completed on 28 April 2017. Results and the cash flows of SILK have been classified as those of the Discontinued Operation, and are disclosed in A9.

Following the completion of the Transaction, the Group’s remaining business activities are primarily in marine logistics services via its effectively 70% owned subsidiary, Jasa Merin (Malaysia) Sdn Bhd and its group of companies, and its wholly owned subsidiary, Jasa Merin (Labuan) Plc.

Accordingly, the division previously termed as the Oil and Gas Support Services Division is now classified as the Marine Logistics – Upstream Division while the division previously termed as the Marine Logistics Services Division has been renamed as the Marine Logistics – Downstream Division.

Except for the above, there has been no material change in total assets and no differences in the basis of segmentation or in the basis of measurement of segment profit or loss as compared to the last annual financial statements.

A5. SEGMENT INFORMATION

	Marine Logistics - Upstream		Marine Logistics - Downstream		Highway Division (discontinued)		Investment Holdings and Others		Adjustments		Total	
	30-June-17 RM '000	30-June-16 RM '000	30-June-17 RM '000	30-June-16 RM '000	30-June-17 RM '000	30-June-16 RM '000	30-June-17 RM '000	30-June-16 RM '000	30-June-17 RM '000	30-June-16 RM '000	30-June-17 RM '000	30-June-16 RM '000
3 months results:												
Revenue												
External customers	23,634	37,579	14,181	3,652	11,122	34,397	-	-	(11,122)	(34,397)	37,815	41,231
Inter-segment	-	-	-	-	-	-	1,836	1,961	(1,836)	(1,961)	-	-
Total revenue	23,634	37,579	14,181	3,652	11,122	34,397	1,836	1,961	(12,958)	(36,358)	37,815	41,231
Segment profit/(loss) before taxation												
	(81,056)	(18,548)	(600)	(3,266)	(1,403)	(5,683)	227,164	1,550	(222,362)	5,313	(78,257)	(20,634)
6 months results:												
Revenue												
External customers	43,331	84,468	25,185	3,652	43,670	68,256	-	-	(43,670)	(68,256)	68,516	88,120
Inter-segment	-	-	-	-	-	-	3,655	3,565	(3,655)	(3,565)	-	-
Total revenue	43,331	84,468	25,185	3,652	43,670	68,256	3,655	3,565	(47,325)	(71,821)	68,516	88,120
Segment profit/(loss) before taxation												
	(116,745)	(27,287)	(773)	(3,272)	(4,005)	(8,390)	228,672	3,013	(219,537)	8,008	(112,388)	(27,928)
Segment assets	1,055,075	1,267,272	85,650	74,071	-	1,139,043	508,309	310,061	(141,984)	(284,478)	1,507,050	2,505,969
Segment liabilities	1,042,508	1,083,362	83,779	77,400	-	1,165,916	1,664	517	(58,694)	(38,355)	1,069,257	2,288,840

Pursuant to the disposal of Sistem Lingkaran-Lebuhraya Kajang Sdn. Bhd. as stated in A21, results of the Highway Division in the quarter ended 30 June 2017 were accounted separately from the continuing operations as discontinued operation.

A6. SEASONAL OR CYCLICAL FACTORS

The Group's operations are not subject to any significant seasonal or cyclical factors.

A7. LOSS BEFORE TAX

Included in the profit/(loss) before tax are the following items:

	Note	Current Quarter 3 months ended		Cumulative Quarter 6 months ended	
		30-June-2017 RM '000	30-June-2016 RM '000	30-June-2017 RM '000	30-June-2016 RM '000
Interest income		2,378	103	2,383	379
Interest expenses		(14,981)	(14,796)	(30,096)	(28,873)
Depreciation of property, vessels and equipment		(25,840)	(24,800)	(51,465)	(48,492)
Impairment loss on property, vessels and equipment	(a)	(48,940)	-	(48,940)	-
Rental expenses		(55)	(74)	(110)	(154)
Net foreign exchange loss		(133)	(201)	(160)	(322)

(a) During the period ended 30 June 2017, the prolonged decline in global oil and gas prices has resulted in a decrease in charter contracts for the Group vessels, which indirectly has an impact on the recoverable amount of the vessels. Accordingly, the Group reviewed the recoverable amount of its vessels culminating in the recognition of impairment losses of RM48,940,000 (30 June 2016: RMNil).

The recoverable amount was determined based on fair value less cost of disposal, which determined based in the market comparable approach that reflects recent transaction prices for similar vessels, with similar age, size and specification where necessary before arriving at the most appropriate fair value for the vessels. The fair value measurement of the vessels was performed by independent appraisers not connected with the Group, who have appropriate qualifications and recent experience in the fair value measurement of the vessel in the relevant sector.

A8. INCOME TAX

	Current Quarter 3 months ended		Cumulative Quarter 6 months ended	
	30-June-2017	30-June-2016	30-June-2017	30-June-2016
	RM '000	RM '000	RM '000	RM '000
Current period tax charge:				
Malaysian income tax	743	321	1,048	719
Deferred income tax:				
Relating to origination and reversal of temporary differences	<u>(11,900)</u>	<u>(3,563)</u>	<u>(19,100)</u>	<u>(3,769)</u>
	<u>(11,157)</u>	<u>(3,242)</u>	<u>(18,052)</u>	<u>(3,050)</u>

The effective tax rates of the Marine Logistics Upstream and Downstream subsidiaries differ from the Malaysian statutory tax rate as subsidiaries incorporated in Labuan under the Offshore Companies Act, 1990 are taxed at 3% of their profit before taxation, or RM20,000 in accordance with the Labuan Offshore Business Activity Tax Act, 1990.

A9. DISCONTINUED OPERATION

As disclosed in A21, the Company had on 28 April 2017, completed the Share Purchase Agreement with Permodalan Nasional Berhad in relation to the disposal of its entire interest in the Highway Division, which comprised Sistem Lingkaran-Lebuhraya Kajang Sdn. Bhd.

The segment was not a discontinued operation or classified as held for sale as at 31 December 2016 and the comparative consolidated statement of profit or loss and other comprehensive income has been re-presented below to show the discontinued operation separately from continuing operations. Management committed to a plan to sell this segment in early 2017 due to strategic decision to place greater focus in the Group's core operation being the provision of marine logistics services.

A9. DISCONTINUED OPERATION (CONTINUED)

Profit/(loss) attributable to the discontinued operation was as follows:

	2017	2016
	RM '000	RM '000
Revenue	43,758	68,256
Expenses	(40,287)	(75,096)
Results from operating activities, net of tax	<u>3,471</u>	<u>(6,840)</u>
Gain on sale of discontinued operation	382,817	-
Profit/(Loss) for the year	<u><u>386,288</u></u>	<u><u>(6,840)</u></u>

	2017	2016
	RM '000	RM '000
Included in the results of the operating activities are:		
Depreciation of plant and equipment	48	388
Amortisation of concession intangible assets	<u>953</u>	<u>8,635</u>

Profit for the year of the discontinued operation of RM386,288,000 (2016: loss of RM6,840,000) is attributable entirely to the owners of the Company.

	2017	2016
	RM'000	RM'000
Cash flows from/(used in) discontinued operation/disposal of subsidiary		
Net cash from operating activities	29,289	56,991
Net cash from investing activities	340,927	(2,558)
Net cash used in financing activities	(95,944)	(45,898)
Effect on cash flows	<u><u>274,272</u></u>	<u><u>8,535</u></u>

A9. DISCONTINUED OPERATION (CONTINUED)

Profit/(loss) attributable to the discontinued operation was as follows:

Effect of disposal on the financial position of the Group

	2017
	RM'000
Plant and equipment	4,962
Concession intangible assets	933,741
Deferred tax assets	139,252
Trade and other receivables	18,829
Cash and cash equivalents	37,788
Goodwill	13,236
Trade and other payables	(22,118)
Borrowings	(1,011,389)
Provisions	(113,126)
Net assets and liabilities	1,175
Gain on sale of discontinued operation	382,817
Consideration receivable	(10,000)
Transaction cost	6,008
Consideration received, satisfied in cash	380,000
Cash and cash equivalents disposed off	(37,788)
Net cash inflow	342,212

A10. EARNING/(LOSS) PER SHARE

Basic earning/(loss) per share amounts are calculated by dividing profit/(loss) for the period, net of tax, attributable to owners of the parent by the weighted average number of ordinary shares outstanding during the financial period, excluding employee trust shares held by the Company.

The following reflect the profit/(loss) and share data used in the computation of basic earning/(loss) per share:

	Individual Quarter			Cumulative Quarter		
	Continuing operations	Discontinued operation	Total	Continuing operations	Discontinued operation	Total
Period ended 30 June 2017:						
(Loss)/profit net of tax attributable to owners of the parent (RM '000)	(46,354)	383,585	337,231	(65,037)	386,288	321,251
Weighted average number of ordinary shares in issue ('000)	701,534	701,534	701,534	701,534	701,534	701,534
Basic (loss)/earning per share (sen)	(6.61)	54.68	48.07	(9.27)	55.06	45.79
Period ended 30 June 2016:						
Loss net of tax attributable to owners of the parent (RM '000)	(12,876)	(4,052)	(16,928)	(17,786)	(6,840)	(24,626)
Weighted average number of ordinary shares in issue ('000)	701,534	701,534	701,534	701,534	701,534	701,534
Basic loss per share (sen)	(1.84)	(0.58)	(2.42)	(2.54)	(0.98)	(3.52)

A11. VALUATION OF PROPERTY, VESSELS AND EQUIPMENT

There is no valuation of property, vessels and equipment brought forward from the previous audited financial statements, as the Group does not adopt a revaluation policy on property, vessels and equipment.

A12. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprised the following amounts:

	30-June-17	31-Dec-16
	RM '000	RM '000
Deposits with licensed financial institutions	357,132	108,450
Cash and bank balances	6,416	3,428
Total cash and cash equivalents	<u>363,548</u>	<u>111,878</u>

Included in the deposits placed with licensed financial institutions is RM1,284,000 (31 December 2016: RM4,274,000) pledged for banking facilities granted to subsidiaries.

A13. SHARE CAPITAL, SHARE PREMIUM AND TREASURY SHARES

Pursuant to section 74 of the Companies Act, 2016 (“the Act”), the Company’s shares no longer have a par or nominal value with the effect from 31 January 2017. In accordance with the transitional provision set out in section 618 of the Act, any amount standing to the credit of the shares premium account becomes part of the Company’s share capital. Companies have 24 months upon the commencement of the Act to utilize the credit.

There is no impact on the number of shares in issue or the relative entitlement of any of the members as a result of this transition. During the financial period, the Company has not utilized any of the credit in the share premium account which are now part of share capital.

There was no issuance, cancellation, repurchase, or resale of equity securities during the financial period under review.

A14. GROUP BORROWINGS AND DEBT SECURITIES

Group borrowings and debt securities as at the end of the reporting period are as follows:

	30-June-17	31-Dec-16
	RM '000	RM '000
Secured short term borrowings:		
Overdrafts	7,931	9,071
Revolving credits	20,000	20,000
Term loans	58,412	284,576
Sukuk Mudharabah	-	35,077
Hire purchase financings	30	101
Total short term borrowings	<u>86,373</u>	<u>348,825</u>
Secured long term borrowings:		
Revolving credits	20,000	20,000
Term loans	887,588	654,942
Sukuk Mudaharabah	-	607,826
Hire purchase financings	113	97
Total long term borrowings	<u>907,701</u>	<u>1,282,865</u>

Included in current and non-current liabilities in the consolidated statement of financial position as at 31 December 2016 is RM438,059,000 profits accrued due to Sukukholders on Sukuk Mudharabah.

A15. PAYABLES

	30-June-17	31-Dec-16
	RM '000	RM '000
Trade payables	49,624	62,543
Amount due to a shareholder	2,270	3,700
Advance license and access fee	-	17,833
Accruals and other payables	5,474	12,484
	<u>57,368</u>	<u>96,560</u>

A16. DEBT AND EQUITY SECURITIES

The Group did not undertake any issuance, cancellation, repurchase, resale and repayment of debt and equity securities for the current period under review.

A17. DIVIDEND

On 21 June 2017, the Company:

- a. declared a special dividend of 10 sen per share (“Special Dividend”) and an interim dividend of 5 sen per share for the financial year ending 31 December 2017 (“Interim Dividend”) (collectively, the “Dividends”).

The shareholders of the Company had at the Extraordinary General Meeting held on 21 June 2017, approved a dividend reinvestment plan that gives its shareholders the option to reinvest their cash dividend(s) declared by the Company in new shares (“DRP”).

The Company has determined that the DRP shall apply to the entire portion of the Dividends.

- b. fixed the issue price of the new shares to be issued pursuant to the DRP at RM0.32 per new share (“Issue Price”) (“Price Fixing Date”). The Issue Price represents a 9.25% discount to the adjusted 5-day volume-weighted average market price (“VWAP”) of the Shares immediately prior to the Price Fixing Date. The 5-day VWAP of the Shares immediately prior to the Price Fixing Date of RM0.5026 adjusted for the Dividends per Share of RM0.15 is RM0.3526.

Subsequently, on 14 July 2017, the Company announced that:

- i. the Company’s shares would be traded and quoted “ex-dividend” from 24 July 2017,
- ii. the last date of lodgement would be 26 July 2017, and
- iii. the Dividend would be paid on 23 August 2017.

A17. DIVIDEND (continued)

On 23 August 2017, the Company paid the Special and Interim dividends as follows:

	Special Dividend	2017 Interim Dividend	Total
No. of shares			701,533,561
Dividend per share	10 sen	5 sen	15 sen
Total dividends (RM'000)	70,153	35,077	105,230
Payment by cash (RM'000)	70,153	27,927	98,080
Converted into shares (RM'000)	-	7,150	7,150
Total dividends (RM'000)	<u>70,153</u>	<u>35,077</u>	<u>105,230</u>
No. of shares issued pursuant to the DRP	-	22,345,183	<u>22,345,183</u>

A18. COMMITMENTS

	30-June-17 RM '000	31-Dec-16 RM '000
Capital expenditure		
Approved and contracted for:		
Vessel and equipment	450	1,926
Highway development expenditure	-	1,001
Approved but not contracted for:		
Vessel and equipment	13,874	26,224
Highway development expenditure	<u>-</u>	<u>119,340</u>

A19. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Contingent liabilities of the Group comprise the following:-

	30-June-17 RM '000	31-Dec-16 RM '000
Performance bond for expressway maintenance and upgrading	-	3,225
Bank guarantee to charterers and suppliers	<u>6,421</u>	<u>9,918</u>

A20. UNUSUAL ITEMS

Except as disclosed in A21, there were no items affecting assets, liabilities, equity, net income, or cash flow that were unusual because of their nature, size and incidence in the current period.

A21. SIGNIFICANT EVENTS

Proposed disposal of 100% equity interest in Sistem Lingkaran-Lebuhraya Kajang Sdn. Bhd. (“SILK”) (“Proposed Disposal”)

On 18 January 2017, the Company entered into a conditional Share Purchase Agreement (“SPA”) with Permodalan Nasional Berhad (“PNB” or “the Purchaser”) in relation to the Proposed Disposal.

The proposed Disposal involves the disposal of the entire issued and paid-up share capital of SILK comprising 220,000,000 ordinary shares of RM1.00 each for a cash consideration of RM390 million.

On 28 April 2017, the Company announced that the Proposed Disposal had been completed upon receipt of the disposal consideration of RM342 million of which the final condition precedent as per SPA.

Accordingly, SILK ceases being a subsidiary of the Company and the Company has completely exited the toll-concessionaire business.

PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE MAIN BOARD LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

B1. REVIEW OF PERFORMANCE

	3 Months Ended			6 Months Ended		
	30-June-17	30-June-16	Change	30-June-17	30-June-16	Change
	(Q2 2017)	(Q2 2016)		(Q2 2017 YTD)	(Q2 2016 YTD)	
	RM '000	RM '000		RM '000	RM '000	
Revenue						
Marine Logistics - Upstream	23,634	37,579	(37.1%)	43,331	84,468	(48.7%)
Marine Logistics - Downstream	14,181	3,652	*	25,185	3,652	*
Investment Holding and Others	1,836	1,961	(6.4%)	3,655	3,565	2.5%
Adjustments	(1,836)	(1,961)		(3,655)	(3,565)	
Total	37,815	41,231	(8.3%)	68,516	88,120	(22.2%)
Profit/(loss) before taxation						
Marine Logistics - Upstream	(81,056)	(18,548)	*	(116,745)	(27,287)	*
Marine Logistics - Downstream	(600)	(3,266)	81.6%	(773)	(3,272)	76.4%
Investment Holding and Others	227,164	1,550	*	228,672	3,013	*
Adjustments	(223,765)	(370)		(223,542)	(382)	
Total	(78,257)	(20,634)	*	(112,388)	(27,928)	*

* The percentage is not meaningful

i. Marine Logistics – Upstream Division

The Marine Logistics – Upstream Division’s revenue performance of RM23.6 million for the quarter is 37% lower compared to the performance recorded in the previous corresponding quarter, reflecting the challenging operating environment prevalent for providers of offshore support vessels (“OSVs”). The comparatively lower revenue and the recognition of an RM48.9 million vessel impairment charge for the quarter translates into a loss before tax of RM81.1 million, up from the RM18.5 million recorded in the previous corresponding quarter.

On a year-to-date basis, the Marine Logistics – Upstream Division recorded a revenue of RM43.3 million, 48.7% lower compared to the RM84.5 million recorded for the previous corresponding quarter. The lower revenue performance, brought upon by lower activity levels during that period, and the RM48.9 million vessel impairment charge contributed to the loss before tax position of RM116.7 million, up from the RM27.3 million recorded for the corresponding 6-month period previously.

The average utilisation rate of 47% for the quarter, arising from the continuing market oversupply for OSVs, is marginally below the 50% utilization rate recorded in the previous corresponding quarter. On a year-to-date basis, the Marine Logistics – Upstream Division recorded an average utilization rate of 40%. In the previous corresponding 6-month period, the Division recorded an average utilization rate of 56%.

ii. Marine Logistics – Downstream Division

The Marine Logistics – Downstream Division's recorded revenue of RM14.2 million for the quarter and a pre-tax loss of RM0.6 million. Given that this Division began operations in June 2016, the comparison to the previous year's corresponding quarter is not meaningful.

On a year-to-date basis, Marine Logistics – Downstream Division recorded revenue of RM25.2 million and a loss before tax of RM0.77 million.

With all three vessels chartered out, the Marine Logistics – Downstream Division recorded an average utilisation rate of 88% for the quarter. This is significantly above the 47% utilization rate recorded in the previous corresponding quarter. On a year-to-date basis, the Marine Logistics – Downstream Division recorded an average utilization rate of 84%. Given that this Division began operations in June 2016, the comparison to the previous year's corresponding year-to-date period is not meaningful.

iii. Group

The Group recorded 8% lower revenue of RM37.8 million compared to RM41.2 million in the prior year, which is mainly due to declining performance of the Marine Logistics - Upstream Division.

On a year-to-date basis, the Group recorded revenue of RM68.5 million, a 22% decline compared to the RM88.1 million recorded in the previous corresponding 6-month period.

In line with lower revenue and the vessel impairment recognized by the Upstream Division, the Group recorded a loss before taxation of RM78.3 million and RM112.4 million in the three and six months periods respectively. The loss before taxation of the corresponding periods in the prior year are RM20.6 million and RM27.9 respectively.

However, as a result of the disposal of the Group's entire shareholding in Sistem-Lingkar Lebuhraya Kajang Sdn Bhd for a total consideration of RM390 million, the Group recorded a Profit After Tax and Minority Interest (PATMI) of RM337.2 million for the quarter ended 30 June 2017, compared to a Loss After Tax and Minority Interest (LATMI) of RM16.9 million recorded in the previous corresponding quarter. Consequently, on a year-to-date basis, the Group recorded a PATMI RM321.3 million, compared to the LATMI of RM24.6 recorded in the previous corresponding 6-month period.

B2. MATERIAL CHANGES IN THE QUARTERLY RESULTS COMPARED TO THE RESULTS OF THE PRECEDING PERIOD

	Current period 30-June-17 RM '000	Preceding period 31-March-17 RM '000 restated	Change
Revenue			
Marine Logistics - Upstream	23,634	19,697	20.0%
Marine Logistics - Downstream	14,181	11,004	28.9%
Investment Holding and Others	1,836	1,819	0.9%
Adjustments	(1,836)	(1,819)	
Total	37,815	30,701	23.2%
Profit/(loss) before taxation			
Marine Logistics - Upstream	(81,056)	(35,689)	(127.1%)
Marine Logistics - Downstream	(600)	(173)	(246.8%)
Investment Holding and Others	227,164	1,507	*
Adjustments	(223,765)	223	
Total	(78,257)	(34,132)	(129.3%)

* *not meaningful*

During the current period:

- Marine Logistics - Upstream Division

During the current period, revenue of the Marine Logistics - Upstream Division recorded RM4 million or 20% improvement arising mainly from better utilisation of its vessels. However, following the recognition of RM48.9 million vessel impairment in the current period, the Division recorded higher loss before taxation of RM81.1 million compared to RM35.7 million in the preceding period.

- Marine Logistics - Downstream Division

During the current period, the Marine Logistics - Downstream Division recorded RM3.1 million or 29% higher revenue than the preceding period as all the three vessels were deployed for the full period unlike the preceding period, where one of the vessels underwent a major dry-docking for a period of one month.

- Group

The Group recorded RM7 million or 23% higher revenue in the current period owing to improved performance by both the Upstream and the Downstream divisions.

Notwithstanding with the revenue improvement, the Group recorded a higher loss before taxation of RM78.3 million in the current period as compared to RM34.1 million in the preceding period following the recognition of RM48.9 million vessel impairment in the current period.

B3. PROSPECTS FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2017

a. Marine Logistics – Upstream Division

There is increasing activity within the offshore support services industry, as evidenced by the tenders being called by the oil majors. The Division saw improvement in fleet utilization rates from 35% in April to 48% in June 2017. Utilization rates for the Division continues to see improvements since the end of June and there is expectation that this trend will persist for the remaining quarters of the 2017, as exploration and drilling activities resumes in a measured way in the second half of 2017.

All in all, there are still risks and challenges ahead, but providers of offshore support services will likely see an improvement in their performance for the second half of 2017. Based on the trend of increasing tenders being called, the prospects for the Division for the remainder of the year, given its good historical track record of being able to deliver, appears to be better when compared to the beginning of the year.

b. Marine Logistics – Downstream Division

Demand for the Marine Logistics – Downstream Division’s liquid bulk carriers remain fairly robust during the first 2 quarters of 2017 at 80% and 88% respectively, mirroring the demand for clean petroleum products. This is expected to remain robust until the end of the year. All three (3) vessels are expected to remain on-contract for the remainder of the year as there are no scheduled dry-dockings for this financial year.

B4. VARIANCE OF ACTUAL PROFIT FROM PROFIT FORECAST

The Group has not issued any profit forecast for the current financial period and therefore, no comparison is available.

B5. STATUS OF CORPORATE PROPOSALS ANNOUNCED

Except as disclosed in A21, there is no corporate exercise that has been completed during the current period or is still pending as at the end of the current period.

Status of the utilization of SILK Disposal proceeds as at 30 June 2017 is as follows:

		Proposed	Actual	Estimated utilisation
	Notes	RM'000	Utilisation	timeframe from Completion
			RM'000	Date
Distributon to shareholders	1	70,153	-	Within 6 months
Investments		200,000	-	Within 24 months
Working capital		111,847	25,691	Within 24 months
Transaction cost	2	8,000	5,370	Within 6 months
		<u>390,000</u>	<u>31,061</u>	

Notes:

1. Distribution to shareholders

As stated in A17, on 21 June 2017, the Company declared a Special Dividend of 10 sen per share and an interim dividend of 5 sen per share for the financial year ending 31 December 2017, which has been paid on 23 August 2017.

A summary of the payment of the dividends is presented below:

	Special Dividend RM'000	Interim Dividend RM'000	Total RM'000
Dividends paid in cash	70,153	27,927	98,080
Dividends converted into shares	-	7,150	7,150
	<u>70,153</u>	<u>35,077</u>	<u>105,230</u>

Number of shares issued upon conversion	<u>22,345,183</u>
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Payment of the Special Dividend of RM70.153 million will be deducted from the proposed distribution to shareholders, while payment of RM27.927 million Interim Dividend will be deducted from the proposed working capital.

Accordingly, at the date of this report, the proposed distribution to shareholders has been fully utilised.

2. Transaction cost

Total transaction cost for the SILK Disposal amounts to RM6.3 million. Balance transaction cost of RM930,000 has been paid subsequent to the period.

B6. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

There were no financial instruments with off balance sheet risks as at the date of issue of the report.

B7. REALISED AND UNREALISED PROFITS OF THE GROUP

	30-June-17	31-Dec-16
	RM '000	RM '000
Total retained profits of the Company and its subsidiaries:		
- realised profit/(loss)	220,102	(90,040)
- unrealised loss	(12,000)	(133,927)
	<u>208,102</u>	<u>(223,967)</u>
Less consolidation adjustments	55,816	166,634
Total Group retained profits as per consolidated accounts	<u>263,918</u>	<u>(57,333)</u>

B8. AUDIT REPORT OF PRECEDING ANNUAL FINANCIAL STATEMENTS

The audit report on the Group's financial statements for the year ended 31 December 2016 was not subject to any qualification.

**BY ORDER OF THE BOARD
SECRETARIES**